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 in the way we do business and the culture of our team, where the attitude to risk is that of collective responsibility.

Our organisational structure, with close involvement of senior management in all significant decisions, combined 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 only one market that we know inside out – central London. We also operate out of a single head office within close proximity to all of our properties. However, because our market is cyclical, we apply a disciplined approach to managing our operational risk, in particular our development exposure, in tune with market conditions whilst always maintaining low financial risk through 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 others, the Group's size, financial gearing, interest cover, level of speculative and total development exposure, and single asset concentration risk. These parameters are revisited annually as part of the Group's Strategy Review and reviewed at each Board meeting. Both the Group's actual and forecast position over the next five years against these parameters are monitored.

See our operational measures on pages 26 and 27

Our risk culture and how we manage our risks

We believe that effective management of risk is based on a 'top-down' and 'bottom-up' approach with inherent lines of defence outlined on page 69 which include:

- our strategy setting process;
- the quality of our people and culture;
- established procedures and internal controls;
- policies for highlighting and controlling risks;
- regular oversight by the relevant Committees and the Board; and
- a clear reading of market conditions and the cycle.

Risk management is an integral part of all our activities. Risks and opportunities are considered as part of every business decision we make and how they would impact on the achievement of our strategic priorities and the performance of our business.

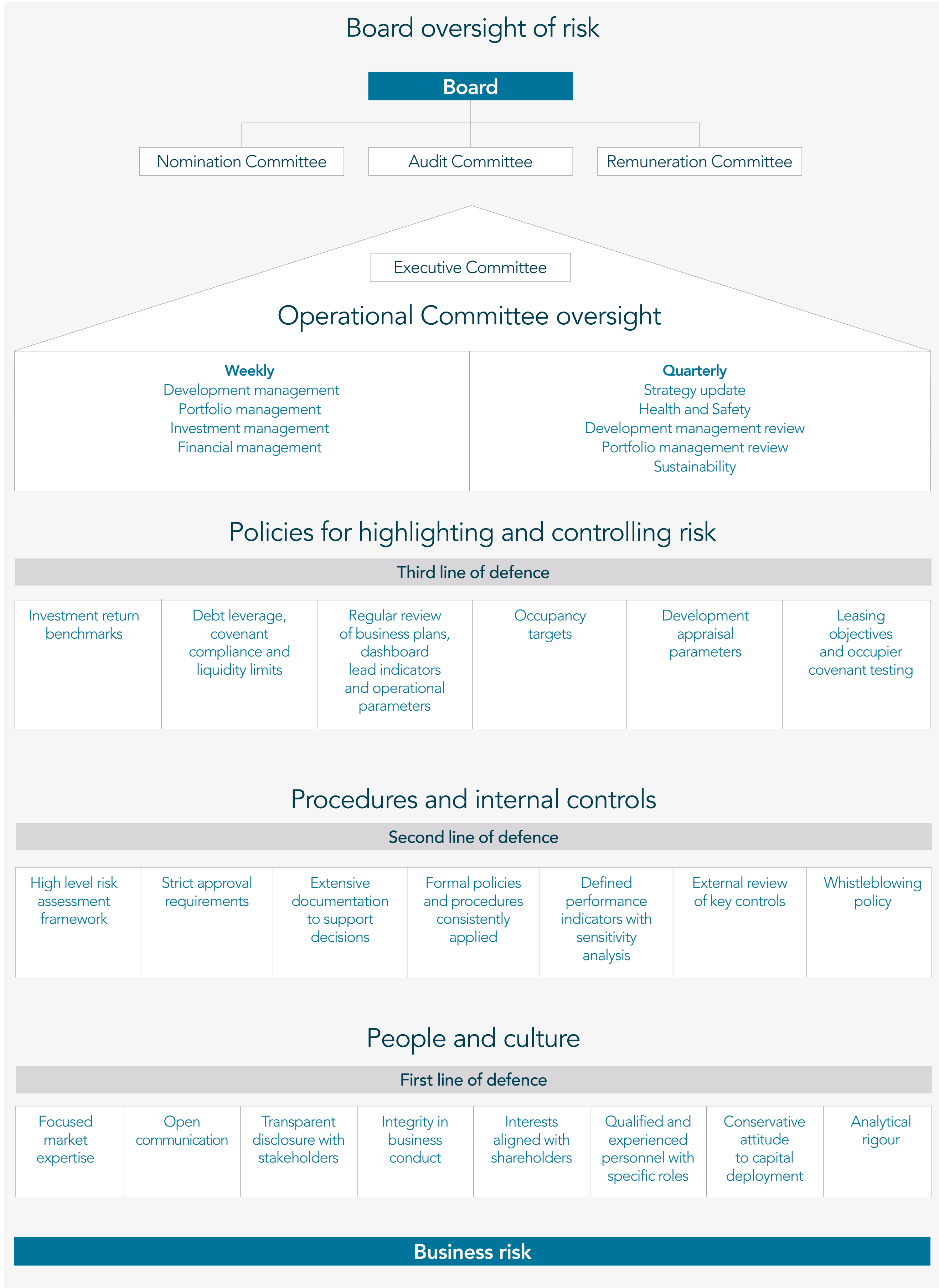
How the Board monitors the Group's principal risks

The Group's principal risks and the processes through which the Company aims to manage these risks are outlined on pages 72 to 81. Ongoing monitoring of our principal risks and controls by the Board is undertaken by:

- relatively low levels of authority for transactions requiring Board approval – see pages 90 and 91, with investment transactions and development approvals requiring, amongst others, 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 people as appropriate at each of the scheduled Board meetings;
- members of the Executive Committee providing a review on the development programme, occupational markets and key property matters at each of the scheduled Board meetings;
- the Finance Director reporting on the Group forecasts including actual and prospective leverage metrics, the occupier watch list and delinquencies, and health and safety at each of the scheduled Board meetings;
- the Executive Directors communicate with the Board on any significant market and operational matters between Board meetings;
- Senior Managers attending the Board and Audit Committees as appropriate to discuss specific risks either across the business, such as health and safety and cyber, or relating to transactions; and
- the Audit Committee meeting with the valuers twice a year to better understand market conditions and challenge the assumptions underlying the valuation.

Risk Assessment

As part of a robust assessment of the principal risks facing the Group and its joint ventures, at the half year and year end, the Group's principal risks including those that would threaten its business model, future performance, solvency and liquidity, the controls in place to mitigate them and how key controls operated in the preceding six months were reviewed by the Executive Committee, the Audit Committee and the Board. A description of the Group's principal risks, steps taken to mitigate those risks, together with an assessment of the impact and likelihood of each and how the risks have changed in the year is shown on pages 72 to 81.



Our approach to risk (continued)

Our focus during the year

With the continued challenging market conditions as a result of the uncertain economic and political environment following the EU referendum, the focus on our strategy and business model with a clear linkage back to overarching strategic priorities and operational parameters have again been revisited at all our scheduled Board Meetings. Areas of significant focus have included:

– the continued strong and pragmatic leasing activity across our development portfolio with significant pre-lets achieved at 160 Old Street, EC1 and Hanover Square, W1, together with the capturing of £5.7 million of reversionary rents;

▶ **See more** on pages 42 and 43

– continuing to crystallise profits through sales of 240 Blackfriars Road, SE1, 30 Broadwick Street, W1 and 78/92 Great Portland Street,W1;

▶ **See more** on pages 16 to 19 and 36 and 37

– maintaining our low leverage whilst still returning £416 million to shareholders; and

▶ **See more** on pages 45, 47 and 48

– revisiting our health and safety procedures. In the aftermath of the Grenfell Tower fire, we carried out a review of fire safety arrangements across our business and portfolio, and provided new guidance and updated building procedures to all our residential occupiers. We also revisited and enhanced our health and safety procedures across our refurbishments and developments.

▶ **See more** on page 53

This year we have also separately identified two additional principal risks being:

– considering how we should further adapt to changing occupier needs and technologies. As part of this, we have created a new role of Director of Workplace and Innovation and also have been:-
  – reviewing how we can provide more flexible lease arrangements to occupiers;
  – trialling a flex space offering to enable occupiers to be able to move into our buildings quicker;
  – enhancing our focus on market developments in technology and its incorporation into our developments; and

▶ **See more** on pages 74 and 75

– increasing our business resilience in the event of a cyber-attack. As part of this, our IT team has increased the testing of our IT systems, and together with the Portfolio management team, is revisiting our business continuity plans for key systems across the portfolio.

▶ **See more** on pages 80 and 81

Viability statement

Assessment of the Group's prospects

In accordance with provision C.2.2 of the 2016 UK Corporate Governance Code, the Board has assessed the prospects of the Group over a longer period than the 12 months that has been required by the 'Going Concern' provision. This longer-term assessment supports the Board's statements on both viability, as set out below, and going concern as set out on page 132.

The Group's future prospects are assessed primarily through its annual Strategy Review. This review is led by the Chief Executive drawing on expertise from across our integrated team. It includes an assessment of the macro-economic environment, forecasts of key property market metrics (including yields and rental value growth), annual valuation progressions for each of its assets and full forecast financial statements for a five-year period, with a primary focus on the first three years.

The key outputs from this process are financial forecasts, summarised in a dashboard, which analyse profits, cash flows, funding requirements, key financial ratios and headroom in respect of the financial covenants contained in the Group's various loan arrangements. The Strategy Review is considered by the Board in early April and thereafter the financial forecasts are updated and presented for regular review by the Board.

The Group's financial forecasts contain a number of assumptions, including:

– estimated year-on-year movements in rental values and yields for each of our key sub-markets;
– the refinancing of the Group's debt facilities as they fall due within the forecast period;
– the completion of the Group's committed development programme and the commencement of selected pipeline projects;
– the Group maintains its preference for low financial leverage; and
– forecast interest rates.

Assessment of viability

A three-year viability period is considered an optimum balance between our need to plan for the long term and the shorter term nature of our active business model, which includes high levels of recycling of our property portfolio and a committed development programme which will be delivered over the next three years.

Further sensitivity analysis was undertaken to flex the financial forecasts under a variety of macro-economic scenarios, both positive and negative. The negative scenarios included stress testing the resilience of the Group, and its business model, to the potential impact of the Group's principal market risks, or a combination of these risks. Specifically, the Board considered the impact of differing levels of economic disruption resulting from our exit from the EU and separately a significant economic downturn leading to asset value declines similar to the market movements of 2008/9. In addition, a further reverse stress test was carried out to understand how far property yields would need to rise, or rental values fall, before the Group was at risk of breaching the financial covenants contained in its various loan arrangements.

The results of this sensitivity analysis showed that, given the Group's financial strength, it would be able to withstand the impact of these scenarios over the period of the financial forecast.

Viability statement

Whilst the directors have no reason to believe that the Group will not be viable over a longer period, based on this assessment of the prospects and viability of the Group the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 March 2021.

How we manage risk

Market risk

Risk	Impact	Link to strategic priorities	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Likelihood after mitigation	Commentary
Central London real estate market under-performs other UK property sectors.	Reduced relative performance.	□ ◇ ○	The execution of the Group's strategy covering the key areas of investment, development and portfolio management is adjusted and updated throughout the year, informed by regular research into the economy, investment and occupational markets. The Group's strategic priorities and transactions are considered in light of regular review of dashboard lead indicators and operational parameters. The Group aims to maintain low financial leverage throughout the property cycle.	→	→	Low – High	The central London real estate market underperformed the wider UK market for the second consecutive year, demonstrated by IPD's universe TPR exceeding IPD's central London by 110 basis points on an absolute basis during the year ended 31 March 2018. This relative under-performance over the last 12 months was driven in part by stronger growth in office rents outside central London and particularly strong growth in both capital values and rents for UK industrial and logistics properties (which are very rare in central London). The relatively muted outlook for central London office and retail rents, combined with seven years of central London property out-performance from 2008 to 2015, means the likelihood of this risk after mitigation has been maintained. ▶ **Our market** on pages 31 to 35
Weakening macro-economic environment for property investment.	Property valuations may decline, with increased property yields and reduced occupier demand for space.	□ ◇ ○	Regular economic updates are received and scenario planning is undertaken for different economic cycles, including various potential UK exit arrangements from the EU. The Group aims to maintain low financial leverage throughout the property cycle.	→	→	Low – High	The UK macro-economic growth and interest rate outlook has remained mixed over the last 12 months, in part driven by ongoing geo-political uncertainty following the EU referendum result and progress to date in exit negotiations. When combined with limited UK stock market growth, despite increased price volatility, the likelihood of this risk has been maintained. ▶ **Our market** on pages 31 to 35
Heightened political uncertainty and potential negative economic impact of ongoing negotiations to exit from the EU.	Reluctance by investors and occupiers to make investment decisions whilst outcomes remain uncertain and/or reduced attractiveness of London as a global commercial centre.	□ ◇ ○	The Group's strategic priorities and transactions are considered in light of these uncertainties. The Group's financial forecasts and business plans continue to be prepared under a variety of market scenarios, including to reflect different potential exit arrangements from the EU, with the frequency of updates increased following the referendum result. Lobbying of property industry matters is undertaken by active participation of the Executive Committee members through relevant industry bodies. The Group aims to maintain low financial leverage throughout the property cycle. The Group has a diverse occupier base with around 12% in the financial services sector, including only c.1% in the investment banking, securities trading and insurance sectors (which are perceived to be most at risk in London to any adverse impact of the UK's exit from the EU).	↗	→	Low – High	Although investor and occupier demand for London commercial property has remained broadly resilient over the last year, the negotiations to leave the EU may result in arrangements that are damaging to the UK economy and/or central London. The negotiations together with the transition is expected to take several years, creating uncertainty which may impact investment, capital, financial and occupier markets. In the long term, exit from the EU could reduce levels of investor and occupier demand as a result of reduced trade and relocation of corporations and financial institutions away from the UK. These risks would likely be further increased by any additional impediments for London's businesses to access talented employees from the EU and beyond. In addition, the uncertainty may also contribute to a potential change in the political landscape at both a local and UK level, which could adversely impact the prospects of both private sector business and the property sector. As a result, the likelihood of this risk has marginally increased. However, the likelihood after mitigation has been maintained given our continued net sales activity and financial strength, with a current pro forma loan to value of only 11.6%, taking into account our most recent £306 million return of capital to shareholders. ▶ **Our market** on pages 31 to 35

Investment management

Risk	Impact	Link to strategic priorities	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Likelihood after mitigation	Commentary
Incorrect reading of the property market cycle through poor investment decisions and/or mis-timed recycling of capital.	Not sufficiently capitalising on market investment conditions.	□ ◇	The Group has dedicated resources whose remit is to constantly research each of the sub-markets within central London seeking the right balance of investment and development opportunities suitable for current and anticipated market conditions. Regular review of property cycle by reference to dashboard of lead indicators. Detailed due diligence is undertaken on all acquisitions prior to purchase to ensure appropriate returns. Business plans are produced on an individual asset basis to ensure the appropriate rotation of those buildings with limited relative potential performance. Regular review of the prospective performance of individual assets and their business plans including with joint venture partners where relevant.	→	→	Low – High	The Group has continued to profitably recycle capital and take advantage of strong investor demand for long-let, well-located properties with sales totalling £329.0 million in the year. With limited availability of attractively priced acquisitions opportunities and the depth of opportunity in our existing portfolio, we made only one acquisition in the year for £49.6 million. With our strategic focus and capital discipline, there has been no change to the likelihood of this risk after mitigation. ▶ **Case studies** on pages 16 and 17, and 18 and 19 **Investment management operational measures** on page 36 **Our market** on pages 31 to 35 **Investment management** on pages 36 and 37
Inappropriate asset concentration, building mix, occupiers covenant quality and exposure, lot size and joint venture exposure.	Reduced liquidity and relative property performance.	□ ◇ ○	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. The Group has a diverse occupier base with its ten largest occupiers representing only 28.1% of rent roll. Occupiers covenants are analysed and security sought as appropriate as part of the lease approval process. Regular contact with occupiers is maintained to identify if occupiers are suffering financial difficulties and their proposed actions.	→	→	Low – High	The Group continues to monitor its portfolio mix and asset concentration risk. Following our sale of Rathbone Square, W1 in the year ended 31 March 2017, our largest asset is now only 10.2% of the total portfolio and 18.1% of the portfolio was held in joint ventures at 31 March 2018. As a result, there has been no change to the likelihood of this risk after mitigation. ▶ **Valuation** on pages 56 and 57

□ Crystallise profits through recycling ◇ Deliver development programme ○ Drive rental growth

▼ 2018 ▲ 2017

Our approach to risk (continued)

How we manage risk

Portfolio management

Risk	Impact	Link to strategic priorities	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Likelihood after mitigation	Commentary
Poor management of voids, rental mis-pricing, low occupier retention, sub-optimal rent reviews, occupier failures and dissatisfaction, and inappropriate refurbishments.	Failure to maximise income from investment properties.	○	The Group's in-house portfolio management and leasing teams proactively manage occupiers to ensure changing needs are met, with a focus on retaining income in light of vacant possession requirements for refurbishments and developments and liaise regularly with external advisers to ensure correct pricing of lease transactions. Occupiers covenants are analysed and security sought as appropriate as part of the lease approval process. Regular contact with occupiers is maintained to identify if occupiers are suffering financial difficulties and their proposed actions. Independent occupier satisfaction survey undertaken and new Head of Occupier Services role created to strengthen our service delivery.	→	→	Low ◁ ▷ High	The Group continues to actively manage the portfolio to maximise occupancy and drive rental growth. With a healthy occupier retention rate of 40% over the year, the Group maintained a relatively low void rate which was 4.9% at 31 March 2018, down from 6.8% at 31 March 2017 despite our recent development and refurbishment completions. During the year, we secured £31.1 million of new rental income, with 58% of total lettings represented by pre-lets or lettings at recently completed developments. The rent reviews competed over the year were settled at average increase of 29.6% above the previous passing rent. Occupier delinquencies during the year represented only 0.1% of total rent roll and at 31 March 2018 we held rent deposits and bank guarantees totalling £31.7 million (including for some of our larger retail occupiers). 88% of our occupiers who participated in our inaugural occupier satisfaction survey described our service as good or excellent. As a result of these performances and our current initiatives, there has been no change to the likelihood of this risk after mitigation. ▶ **Case study** on pages 22 and 23 **Portfolio management operational measures** on page 42 **Portfolio management** on pages 42 and 43 **Our portfolio** on pages 54 to 59
Failure to react to evolving workplace needs including occupiers seeking increased flexibility and enhanced building design, combined with impact of technological advances on ways of working.	Buildings and lease structures cease to appeal to occupiers and investors, reducing income and valuations.	□ ◇ ○	Creation of Director of Workplace and Innovation role who is responsible for keeping the Board up to date on market developments and incorporating innovation in the GPE portfolio. Reviews undertaken of further opportunities for flex space offering across the portfolio.	↗	↗	Low ◁ ▷ High	We identified this is an emerging risk last year and a new risk for this year given the pace of evolution in workplace needs and technology. ▶ **Our market** on pages 31 to 35

□ Crystallise profits through recycling ◇ Deliver development programme ○ Drive rental growth

▼ 2018 ▲ 2017

How we manage risk

Development management

Risk	Impact	Link to strategic priorities	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Likelihood after mitigation	Commentary
An inappropriate level of development undertaken as a percentage of the portfolio.	Under performance against KPIs.	◇	Regular review of the level of development undertaken as a percentage of portfolio, including the impact on the Group's income profile and financial gearing, amongst other metrics. Developments only committed to when pre-lets obtained and/or market demand and supply considered to be sufficiently supportive.	→	↗	Low ◁—▷ High	The Group's committed development exposure has not materially changed over the year, falling from 12% of the total portfolio 12 months ago to 11% today. However, 88.8% of this committed exposure is on a speculative basis, up from 34.8% a year ago. As a result, the impact of this risk has marginally increased, although the likelihood after mitigation is unchanged given the quality of the space that we are delivering, all in close proximity to Crossrail stations and with a significant proportion being retail units in prime central London shopping locations. ▶ **Case studies** on pages 24 and 25 **Development management** on pages 38 to 41
Poor execution of development programme through: – incorrect reading of the property cycle; – inappropriate location; – failure to gain viable planning consents; – failure to reach agreement with adjoining owners on acceptable terms; – level of speculative development; – incorrect cost and programme estimation; – construction cost inflation; – contractor availability and insolvency risk; – insufficient human resources; – a building being inappropriate to occupier demand; – quality and benchmarks of the completed buildings; – construction and procurement delays; – ineffective marketing to prospective occupiers; and – poor development management.	Poor development returns.	◇	See Market risk on page above. 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. Early engagement and strong relationships with planning authorities. Early engagement with adjoining owners. Benchmarking of costs with comparative schemes. In-house Project Management team utilise appropriate procurement methods to optimise the balance of price certainty and risk. Internal and external resourcing requirements regularly reviewed by the Executive Committee, Development Director and Head of Projects. Third party resource expertise used to support in-house teams, where appropriate. Due diligence is undertaken of the financial stability of demolition, main contractors and material sub-contractors prior to awarding of contracts. Working with agents, potential occupiers' and purchasers' to identify their needs and aspirations including technological advances during the planning application and design stages. Design Review Panel reviews building design and specification to ensure it is appropriate for likely occupier needs. In-house Leasing/Marketing team liaise with external advisers on a regular basis and marketing timetables designed in accordance with leasing/marketing objectives. All our major developments are subject to BREEAM ratings with a target to achieve a rating of 'Very Good' on major refurbishments and 'Excellent' on new build properties. Proactive liaison with existing occupiers before and during the development process. Selection of contractors and suppliers based on track record of delivery and creditworthiness. In-house Project Management team closely monitor construction and manage contractors to ensure adequate resourcing to meet programme. Regular review of the prospective performance of individual assets and their business plans with joint venture partners. Post-completion reviews undertaken on all developments to identify best practice and areas for improvement.	→	↗	Low ◁—▷ High	Although the Group successfully completed three developments since 31 March 2017, the Group's committed development exposure has not materially changed over the year given the recent commitment to three new schemes. These schemes have a combined GDV £756.8 million of which 11.2% is already de-risked through pre-lettings with capex to come of £239.6 million, up from £44.5 million a year ago. As a result, the impact of this risk has marginally increased, although with occupier demand remaining healthy for prime, new build space in central London and the supply of such space remaining tight, the likelihood after mitigation is unchanged. ▶ **Case studies** on pages 20 to 25 and 55 **Development management operational measures** on page 38 **Development management** on pages 38 to 41 **Our portfolio** on pages 58 and 59

□ Crystallise profits through recycling ◇ Deliver development programme ○ Drive rental growth

▼ 2018 ▲ 2017

Our approach to risk (continued)

How we manage risk

Financial risks

Risk	Impact	Link to strategic priorities	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Likelihood after mitigation	Commentary
Limited availability of further capital.	Growth of business is constrained or unable to execute business plans.	□ ◇ ○	Cash flow and funding needs are regularly monitored to ensure sufficient undrawn facilities are in place. Funding maturities are managed across the short, medium and long term. The Group's funding measures are diversified across a range of bank and bond markets. Strict counterparty limits are operated on deposits.	→	→	Low – High	The Group has continued to be active in managing it debt facilities, ensuring an attractive maturity ladder and maintaining diverse funding sources, predominantly borrowing on an unsecured basis. During the year, the Group redeemed £121.0 million of high coupon, secured debenture bonds and raised £100 million of new unsecured private placement notes. When combined with the Group's £450 million committed revolving credit facility which is currently undrawn, the Group's weighted average debt maturity has increased to 5.7 years (pro forma for draw down in June 2018 of the new private placement notes). Cash and undrawn credit facilities increased from £378 million at 31 March 2017 to £666 million today (31 March 2018 position pro forma for subsequent transactions). With our liquidity and debt position remaining exceptionally strong, the likelihood of this risk has not changed. ▶ **Our capital discipline** on pages 47 and 48 **Our financial results** on pages 44 to 46 **Notes 16 and 17 forming part of the Group financial statements** on pages 161 to 165
Increased interest rates and/or a fall in capital values.	Adverse market movements negatively impact on debt covenants.	□ ◇	Consistent policy of conservative financial leverage. Regular review of current and forecast debt levels and financing ratios under various market scenarios. Our annual Business Plan which is regularly updated includes stress tests considering the impact of a significant deterioration in the markets in which we operate. Formal policy to manage interest rate exposure by having a high proportion of debt with fixed or capped interest rates through derivatives. Significant headroom over all financial covenants at 31 March 2018.	→	→	Low – High	Whilst broader economic and political uncertainties have kept global interest rates at relatively low levels, the Bank of England base rate increased for the first time in ten years in November 2017, although the increase was to a modest 0.5% and some way behind increases implemented in the US. Moreover, there remains an expectation of further modest increases in UK interest rates. However, 100% of the Group's debt is currently at fixed or hedged interest rates, and the Group's weighted average interest rate fell over the year to 2.3% given our refinancing activities. As a result, the risk likelihood after mitigation is unchanged, particularly given that we estimate property values could fall be around 78% from their 31 March 2018 pro forma levels before Group debt covenants could be endangered, even before factoring in mitigating management actions. ▶ **Our capital discipline operational measures** on page 47 **Our capital discipline** on pages 47 and 48 **Our financial results** on pages 44 to 46 **Notes 16 and 17 forming part of the Group financial statements** on pages 161 to 165
Inappropriate capital structure.	Sub-optimal NAV per share growth.	□ ◇	Regular review of current and forecast capital requirements, gearing levels and other financing ratios. Maintain balance sheet discipline, with surplus equity capital returned to shareholders in appropriate circumstances.	→	→	Low – High	The Group's existing capital structure remains well placed to take advantage of opportunities as they arise and to deliver our current development commitments. As a result, the risk likelihood after mitigation is unchanged. ▶ **Our capital discipline** on pages 47 and 48 **Our financial results** on pages 44 to 46

People

Risk	Impact	Link to strategic priorities	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Likelihood after mitigation	Commentary
Incorrect level and mix/retention of people, to execute our business plan and maintain our collegiate inclusive culture, combined with inability to attract, develop, motivate and retain talent.	Strategic priorities not achieved.	□ ◇ ○	Regular review is undertaken of the Group's resource requirements and succession planning. The Group has a remuneration system that is strongly linked to performance and a formal six-monthly appraisal system to provide regular assessment of individual performance. Benchmarking of remuneration packages of all employees is undertaken annually. Annual personal development planning and ongoing training support for all employees together with focused initiatives to nurture potential successors, including introduction of mentoring programme. Health and wellbeing programme being developed following roll out of mental health training programme. Focus on people engagement with regular two-way communication and responsive employee-focused activities' e.g. flexible working. High profile, attractive development pipeline and high quality assets to manage.	→	→	Low – High	The motivation of our people and maintaining our strong collaborative culture remains fundamental to the delivery of our strategic priorities. Staff retention remains high at 87% and 89% of our employees would recommend GPE as a great place to work. Moreover, our continued focus on growing the breadth and depth of our talent, providing focused development support where needed combined with the restructuring of some of our teams and twelve internal promotions during the year, means the risk likelihood after mitigation is unchanged over the year. ▶ **Our culture and people operational measures** on page 60 **Our culture and people** on pages 60 to 63 **Remuneration report** on pages 108 to 134

□ Crystallise profits through recycling ◇ Deliver development programme ○ Drive rental growth

▼ 2018 ▲ 2017

How we manage risk

Regulatory

Risk	Impact	Link to strategic priorities	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Likelihood after mitigation	Commentary
Increased costs of compliance and/or risk of non-compliance with growing regulatory obligations including tax, planning, environmental, fire safety and other legislation.	Increased cost base and potential negative impact on property values given reduced investor and occupier interest in buildings and/or reputational damage.	□ ◇ ○	Senior Group representatives spend considerable time, using experienced advisers as appropriate, to ensure compliance with current and potential future regulations. Through meetings with local politicians, planning officers and experienced advisors we monitor any changing planning policy/sentiment that may impact our portfolio. Lobbying of property industry matters is undertaken by active participation of the Executive Directors and other Executive Committee members through relevant industry bodies. Sustainability Committee meets at least quarterly to consider strategy in respect of environmental legislation and address key areas of carbon, energy, waste and biodiversity. Environmental management system in place. Energy reduction plan for every key property. We maintain a low-risk tax status and have regular meetings with HMRC.	↗	↗	Low High	In addition to the significant regulatory and tax uncertainty associated with the UK's exit from the EU, the introduction of capital gains tax for overseas investors on UK commercial property from 2019 may impact the weight of investment appetite. Following the recent local elections, we are closely monitoring whether changes in the political landscape, particularly within Westminster City Council, impacts any existing planning policy and/or procedures. Only 3% of portfolio (by area) is EPC F or G rated. Where units are vacant they are being refurbished to improve the rating or where they are currently let plans are in place to improve the rating when they become vacant. We are monitoring the consultation process for the London Plan and have included a number of its themes in our sustainability strategy. It is likely that the inquiry into the Grenfell Tower fire will result in changes to the regulatory regime. We are monitoring the process closely. Taken together, the risk likelihood after mitigation has marginally increased over the year. **Our market** on pages 31 to 35 **Property industry representation** on pages 64 to 67 **Our relationships** on page 51 **Our portfolio** on pages 58 and 59
Health and Safety incidents. Loss of life or injury to members of the public, occupiers, contractors or employees.	Resultant reputational damage.	□ ◇ ○	The Group has dedicated Health and Safety personnel to oversee the Group's management systems which include regular risk assessments and annual audits to proactively address key fire, health and safety areas including employee, contractor, members of the public and occupier safety. On all construction projects, the Group operates a pre-qualification process to ensure selection of competent consultants and contractors which includes a Health and Safety assessment. Contractors' responses to accidents and near misses are actively monitored and followed up by our Project Managers and Head of Sustainability, with reporting to the Executive Committee and Board as appropriate. Regular site and health and safety checks undertaken by our Development and Project Management teams, Executive Committee members and external third parties.	↗	↗	Low High	With increased levels of both development and refurbishment activity, including in occupied buildings, the likelihood of this risk after mitigation has marginally increased. The Group had no reportable accidents and no reportable incidents during the year. **Health and safety** on page 53

Business interruption risk

Risk	Impact	Link to strategic priorities	How we monitor and manage risk	Likelihood change from last year	Impact change from last year	Likelihood after mitigation	Commentary
An external event such as a power shortage, extreme weather, environmental incident, civil unrest or terrorist attack that significantly affects the Group's operations, particularly given our portfolio concentration in central London.	Significant damage, disruption and/ or reputational damage to the Group's portfolio and operations.	□ ◇ ○	The Group has a Business Continuity Plan with predetermined processes and escalation for the Crisis Management Team. Asset emergency plans exist for individual properties. Physical security measures are in place at properties and security threats are regularly assessed through links with security agencies. The Group's insurance policies include cover for catastrophic events including fire, storm, riots and terrorism.	→	→	Low High	The likelihood of this risk is unchanged given the Home Office/MI5 continue to assess the UK threat from international terrorism as severe.
Cyber threat or attack.	Business disruption to Group's portfolio and operations and/or reputational damage from data loss.	□ ◇ ○	The Group's Business Continuity Plan is regularly reviewed and recovery of data at off-site recovery centre was 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. Staff awareness training on cyber risk is undertaken regularly. Cyber risk insurance secured during the year.	↗	↗	Low High	We have identified this as a new risk this year given the increased incidence of attempted cyber attacks on UK businesses.

□ Crystallise profits through recycling ◇ Deliver development programme ○ Drive rental growth

▼ 2018 ▲ 2017