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. Our attitude to risk is one of collective responsibility with the identification and management of risks and opportunities 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 all 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 are 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 through 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 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. We monitor the Group's actual and forecast position over a five-year period against these parameters.

› **See more** details on our operational measures on pages 18 and 19

Our risk culture and how we manage our risks

Our over-arching risk management process is comprised of 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 81, 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 property cycle.

Moreover, risk management is an integral part of all our activities. Risks and, more positively, where these might also provide opportunities, are considered as part of every business decision we make and 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, the Audit Committee and the Board formally review the Group's principal and emerging risks, including those that would threaten its business model, future performance, solvency and liquidity. Importantly, part of this review is the consideration of:

- the internal operational controls in place to mitigate the principal risks and how key controls over these risks have operated in the preceding six months;
- consideration of any emerging risks and opportunities; and
- the Board's ongoing monitoring of the principal risks.

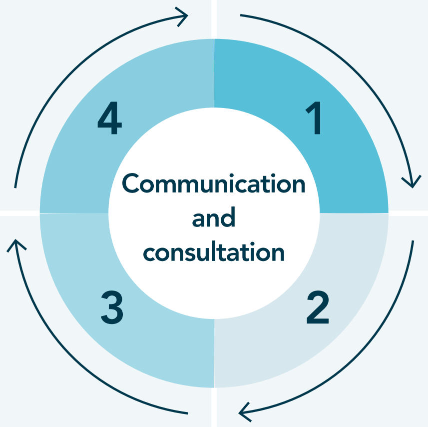
Whilst emerging risks and opportunities are considered as part of this formal six-monthly assessment, the Board spends additional time at scheduled Board meetings on 'blue sky' thinking and consideration of possible emerging risks. As part of this process, the Executive Committee members are tasked to provide a summary at each scheduled Board meeting of the three 'things' concerning and exciting them most. We also ask our Heads of Department the same question to ensure that we are continually challenging ourselves as to how we should evolve. Emerging risks are also specifically considered by the Board as part of its annual Strategy Review. While risks relating to structural retail and market changes, pandemic and short and medium-term climate change risks have been captured within our re-framed principal risks, we have also spent time this year discussing emerging risks across a number themes such as long-term climate change and advances in technology.

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

Board

Nomination Committee | Audit Committee | Remuneration Committee

Executive Committee

Operational Committee oversight

Weekly

Development management
Portfolio management
Investment management
Financial management

Quarterly

Living our values
Health and safety
Development management review
Portfolio management review
Sustainability
Community

People and culture guided by our values

Focused market expertise
Open communication
Transparent disclosure with stakeholders
Integrity in business conduct
Interests aligned with shareholders
Qualified and experienced personnel with specific roles
Intense development, portfolio management and occupational services teams
Conservative attitude to capital deployment
Analytical rigour

Procedures and internal controls

High level risk assessment framework
Strict approval requirements
Extensive documentation to support decisions
Formal policies and procedures consistently applied
Defined performance indicators with sensitivity analysis
External review of key controls/internal audit
Whistleblowing policy

Policies for highlighting and controlling risk

Investment return benchmarks
Debt leverage, covenant compliance and liquidity limits
Regular review of business plans, dashboard lead indicators and operational parameters
Occupancy targets
Development appraisal parameters
Leasing objectives and occupier covenant testing

Business risk

Our approach to risk continued

During the year, the Audit Committee and Board have taken the opportunity to oversee an in-depth review of GPE's principal risks:

- to ensure that the principal risks continue to reflect the most significant risks facing the business at the current time, particularly in the face of an evolving real estate industry and market, ongoing macro-economic and political uncertainties as well as, more recently, the uncertainties arising from the COVID-19 crisis;
- to more closely reflect how GPE's risks are being discussed and considered across the organisation and in the context of GPE's strategic priorities;
- to simplify and consolidate risks where considered appropriate; and
- to further consider and identify possible emerging risks.

As a consequence of this exercise, we have re-framed the descriptions of GPE's principal risks, identified two new principal risks and escalated the status of certain risks that were previously captured within a broader principal risk description. Save for the new or escalated risks explained below, the risks to the business, at a high level, remain broadly unchanged from the previous year, the key changes being as follows:

- inclusion of a new pandemic risk given the continuing risks arising from the current COVID-19 crisis, the full extent of the humanitarian, societal and economic impacts of which are still too early to judge;
- as a result of a perceived greater risk arising from the impact of ongoing structural changes in the retail industry on the demand for, and profitability of retail space in central London, we have added 'Structural retail changes' as a separate principal risk;
- increasing regulation and stakeholder, occupier and public expectations make our response to the climate change challenge a commercial and reputational imperative which is likely to impact how we operate in the future. 'Climate change and decarbonisation' has therefore been recognised as a separate principal risk as well as an emerging risk;
- an increasingly stringent planning environment as a result of political and economic uncertainties, increased focus on the provision of affordable housing in certain London boroughs, recommendations following the Grenfell Tower fire and evolving environmental requirements have resulted in 'Challenging planning environment' being separated out as a standalone principal risk; and
- other risks have been simplified or consolidated where these are considered to be a sub-set of a single broader principal risk. For example, the risks of poor management of voids, low occupier retention and occupier failures or dissatisfaction are now considered to be part of a broader risk of 'Meeting occupier needs and competition'. Similarly, risks relating to central London performance, macro-economic conditions such as Brexit, civil unrest and terrorism have been combined under a single risk relating to 'London attractiveness'.

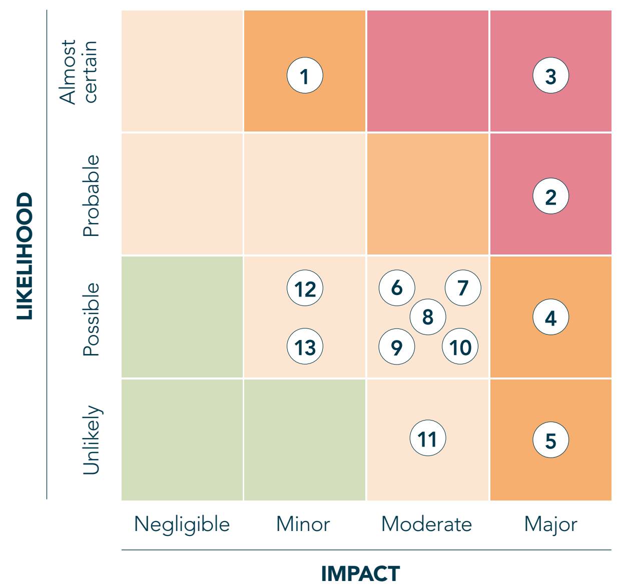
A description of the Group's principal risks, together with a summary of steps taken to mitigate those risks, is shown on pages 84 to 93. Given the above changes to our principal risks, the risk movements do not show the year-on-year assessment changes of each risk but instead reflect the Board's view of the directional change of the re-framed risks over that period.

As we continue to review our strategy in the context of a changing market, the impacts of the COVID-19 crisis and macro-economic uncertainties, we will continue to assess our risk appetite and target for each risk as part of our strategy review process. The Board has assessed the likelihood and impact of the revised principal risks, the net risk assessments for which are shown in the heatmap below.

Net risk heatmap

Principal risk

1	Structural retail changes
2	Climate change and decarbonisation
3	Pandemic
4	London attractiveness
5	Property market dislocation and impact on financial leverage
6	Failure to maximise returns from prevailing market conditions
7	Failure to profitably deliver the development programme
8	Challenging planning environment
9	Attract and retain the right people
10	Meeting occupier needs and competition
11	Poor capital allocation decisions
12	Health and safety
13	Cyber security and infrastructure failure



Risk severity

Low Medium High Very high

(1) **Net risk rating** as assessed after existing controls and mitigation

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 people as appropriate at each of the scheduled Board meetings;
- members of the Executive Committee providing a review of the development programme, occupational markets and key property matters at each of the scheduled Board meetings;
- the Finance and Operations Director reporting on Group forecasts, including actual and prospective leverage metrics, the occupier watch list and delinquencies, cyber and IT initiatives, sustainability and health and safety matters 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 Audit Committee meetings as appropriate to discuss specific risks either across the business, such as sustainability, health and safety and cyber, or relating to transactions; and
- the Audit Committee meeting with the valuers at least twice a year to better understand market conditions and challenge the assumptions underlying the valuation.

Our focus during the year

The continued challenging market conditions as a result of the uncertain economic and political environment associated with the UK leaving the European Union, and, more recently, the COVID-19 crisis, and how we have considered these in light of our business, is explained in more detail in 'Our market' on page 23 and our viability assessment on page 94. In light of this ongoing uncertainty, the focus on our strategy and business model with a clear linkage of our risks to overarching strategic priorities and operational parameters have again this year been revisited at all our scheduled Board meetings. Areas of significant focus have included:

- the progress of our three developments at Hanover Square, W1, 1 Newman Street & 70/88 Oxford Street, W1 and The Hickman, E1;

› **See more** on pages 34 to 36

- the continued strong and pragmatic leasing activity across our development portfolio, including pre-lettings achieved at Hanover Square, W1 and at 1 Newman Street & 70/88 Oxford Street, W1;

› **See more** on pages 34 to 36

- continuing to crystallise profits through the sale of 24/25 Britton Street for a headline sale price of £64.5 million;

› **See more** on page 33

- maintaining our low financial leverage whilst returning £125.9 million to shareholders through our share buyback programme;

› **See more** on pages 78 and 79

- given our risks of 'Failing to maximise returns from prevailing market conditions' and 'Meeting occupier needs and competition', further developing our flex product and service offer and installing market-leading technology solutions across our portfolio, including our new app 'sesame';

› **See more** on pages 40, 41 and 69

- launching our Inclusion and Diversity strategy and related initiatives and achieving the National Equality Standard accreditation;

› **See more** on pages 50 and 51

- in view of our 'Decarbonisation and climate change' risk, issuing the first ESG-linked bank facility by a UK REIT and committing to becoming a net zero carbon business by 2030, launching our Statement of Intent 'The Time is Now';

› **See more** on pages 72 and 78

- launching our inaugural Health and Safety strategy and strengthening our procedures across the portfolio;

› **See more** on page 63

- continued focus on our cyber governance both at head office and in relation to landlord IT equipment across our portfolio; and

› **See more** on page 122

- extensive engagement with stakeholders in order to manage and mitigate the impacts of COVID-19 while supporting our stakeholders where we can.

› **See more** on pages 49 and 58 to 64

Our approach to risk continued

How we manage principal risks and uncertainties

Principal risk	Link to strategic priorities	How we monitor and manage risk	Directional travel of net risk movement over the last 12 months	Commentary
Structural retail changes				
A continued structural shift in the retail industry could force changes to leasing requirements (e.g. turnover rents) and/or reduce the demand for, or profitability of retail space in central London. This could reduce rents, asset values and returns from retail space.	② ③	Strategic financial forecasts updated prior to each Board meeting including scenario planning for different economic cycles. Quarterly review of asset-by-asset business plans to assess potential exposures and inform hold/sell strategies. Regular reporting to Executive Committee and Board on negotiations and marketing campaigns. Regular updates received from central London retail agencies to understand current market trends and anticipating future changes to deal structures. The Group's in-house portfolio management teams have proactive engagement with occupiers to understand their occupational needs and requirements with a focus on retaining income. Design Review Panel reviews building design and specification to ensure the scheme can accommodate flexibility of unit sizes appropriate for future retail occupier demand. In-house Leasing and Marketing teams liaise with external advisors on a regular basis, creating marketing campaigns, agreed budgets and timelines in accordance with the leasing/marketing objectives.	Increasing	Retail space comprises 28% of our portfolio by value. Whilst wider UK retailing has suffered from a combination of lower retail sales and a structural shift, as increasing volumes of sales move online, central London retail has to date demonstrated greater resilience, underpinned by tourism (both domestic and international), flagship stores, a deep cultural offering and its growing population. Moreover, we focus on delivering high quality, modern retail units into locations with enduring appeal with the bulk of our activities centred on the prime shopping streets of Oxford Street, Regent Street, Bond Street and Piccadilly. Our current development activity at Oxford House, at the eastern end of Oxford Street, and Hanover Square, at the northern end of Bond Street, aim to deliver new retail experiences into locations that will benefit from the expected opening of Crossrail in 2021. Early interest in the schemes has been encouraging and during the year we completed our first retail letting in our Hanover Square scheme. However, the outbreak of COVID-19 and associated lockdown has made the position more challenging and rental values across our retail units fell 4.3% during the year.
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 and reduces our ability to redevelop due to planning restrictions, increased regulation and stakeholder expectations, the increased cost of low carbon technology and potentially the pricing of carbon. Failure to meet the climate challenge could impact our ability to deliver new buildings, reduce the demand for the buildings we own, cause significant reputational damage and result in exposure to environmental activism and potentially stranded assets.	③ ④	Regular Board and Executive review of Sustainability policy and climate change commitments. Sustainability Committee meets quarterly to consider strategy in respect of climate change and Environmental and Social strategy and risks. Dedicated Director of Sustainability and Community and Sustainability Manager. Design Review Panel reviews design brief for all buildings to ensure that forthcoming sustainability risks are considered. Sustainable Development Brief and Sustainability strategy in place. ESG-linked RCF and the introduction of ESG strategic bonus measures for Executive Committee members to support delivery of decarbonisation within the business. The creation of a baseline carbon position for existing near-term development schemes is currently underway.	Increasing	With the built environment contributing approximately 40% of the UK's carbon footprint and the climate change debate moving from the periphery to now being both a moral and economic imperative, particularly for our occupiers and other stakeholders, we have been further expanding our sustainability commitments and activities. Having announced in 2019 targets to reduce energy intensity in our existing buildings by 40% (from a 2016 baseline) by 2030 and to delivering net zero carbon new build developments from 2030, we have more recently articulated our approach to sustainability in our Statement of Intent 'The Time is Now', which includes a commitment to decarbonise our business to become net zero by 2030. We are also committing to design climate change resilient and adaptable spaces, create a lasting positive social impact in our communities and put health and wellbeing front and centre. Moreover, with sustainability touching everything that we do, in early 2020 we incorporated our energy intensity target into our ESG-linked revolving credit facility, along with targets to reduce embodied carbon of our new developments and major refurbishments by 40% by 2030 and to improve biodiversity net gain across our portfolio by 25% by 2030. As a result, the rate of interest we pay on this facility will depend on our performance against these targets. Furthermore, these targets have been included within the objectives of many of our senior executives and will be used to assess levels of future remuneration. We also continue to work to improve the number of our buildings rated for their sustainability credentials. In line with current legislative requirements and Government proposals on the future trajectory for minimum energy efficiency standards, we are actively managing ratings, seeking to improve EPC ratings by at least one grade following refurbishment. › **See more** on page 77
Pandemic				
Ongoing pandemic (lasting longer than three months) could lead to a significant decrease in demand in our markets, adversely impact our rental income, reduce the availability of our workforce and disrupt our supply chains resulting in a decreased ability to maintain the consistency of our operations.	① ② ③ ④ ⑥	Business Continuity Plans and IT Business Continuity Plans in place. Response Committee established and led by the Finance and Operations Director to identify risks and concerns to help manage GPE's response to COVID-19 crisis. Daily and weekly reporting to the Executive Committee. Regular Board calls held during COVID-19 crisis to review GPE's response and mitigations with key updates provided between meetings. Reviews of Government guidelines and emerging practice with risk assessments undertaken as control measures change. Enhanced stakeholder engagement, particularly with occupiers, contractors, shareholders and employees. Selection of contractors and suppliers based on creditworthiness.	Increasing	The current COVID-19 pandemic is already having profound social and economic consequences. However, the resilience of our business, finances and people are already in strong evidence. We are engaging extensively with all our stakeholders, including offering assistance to our occupiers on a case by case basis, extending our community activities, including through the creation of a new Community Fund, and working hard to ensure the safety and wellbeing of our employees who have all been working from home since late March 2020. All our properties have remained open and operating to Government guidelines, including our development sites. We have also issued to all our occupiers a 'return to the office' playbook. None of our employees have been furloughed and the Group has no current plans to access any UK Government COVID-19 funding.

Near-term strategic priorities

① COVID-19 response ② Deliver and lease committed schemes ③ Prepare the pipeline

④ Progress sustainability agenda ⑤ Further embed values ⑥ Continue to grow flex offer

Our approach to risk continued

How we manage principal risks and uncertainties continued

Principal risk	Link to strategic priorities	How we monitor and manage risk	Directional travel of net risk movement over the last 12 months	Commentary
London attractiveness				
The appeal of London to occupiers and investors may diminish due to macro-economic conditions (e.g. Brexit), the rise of alternative destinations for international trade, the impact of civil unrest and terrorism, the impact of long-term climate change (e.g. risk of flooding) and the relative expense of operating in London. This could result in a lack of investment and occupier demand leading to decreasing income and asset values.	2 3 6	Board annual strategy review with regular economic and market updates received from third parties. Strategic financial forecasts are updated prior to each Board meeting including scenario planning for different economic cycles and eventualities, including to reflect potential impacts regarding the UK's exit from the EU and, more recently, broader economic recovery from the COVID-19 crisis. Regular review of strategic priorities and transactions in light of the Group's dashboard of lead indicators and operational parameters. Detailed planning regarding the UK's exit from the EU, with regular updates to the Board on GPE's preparations and potential impacts. The Group aims to maintain a consistent policy of low financial leverage.	Increasing	London generates around 22% of UK GDP, with the largest economy of any city in Europe, and is one of the world's leading commercial, creative and financial centres, with a deep pool of talent. Despite the uncertainty created by the UK's exit from the EU and the more recent economic disruption as a result of COVID-19, London has been growing and is forecast to grow further. By 2030, London's population is expected to have increased to around ten million, up from around nine million today, and improving infrastructure, including extensions of the tube network and the expected opening of Crossrail in 2021, will bring more people within its reach. Its combination of a strong legal system, time zone advantages, international connectivity and a welcoming attitude to businesses from around the world has resulted in London retaining its position leading the Global Power City Index 2019, as measured by the Mori Memorial Foundation. Central London also offers 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 occupiers and property investors, many from overseas. London's markets are also highly liquid and remain one of the leading global destinations for real estate investment.
Property market dislocation and impact on financial leverage				
Assets may reduce in value due to capital markets disruption and/or a macro-economic shock which could increase GPE's financial leverage and potentially result in our breaching banking covenants.	2 3 6	Quarterly review of capital structure, including gearing levels, by Finance and Operations Director and Executive Committee. Board annual strategy review with regular economic and market updates received from third parties. Regular review of strategic priorities and transactions in light of the Group's dashboard of lead indicators and operational parameters. Quarterly review of current and forecast debt, hedging levels and financing ratios under various market scenarios. The Group aims to maintain a consistent policy of low financial leverage. The Group's funding measures are diversified across a range of bank and bond markets. Regular review of financing by Finance and Operations Director and Executive Committee with reporting at each Board meeting.	No change	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 2020, our property LTV was 14.2%, net gearing was 16.2% and interest cover not measurable. As a result, we have substantial headroom above our Group debt covenants. We estimate property values could fall around 70% before Group debt covenants could be endangered, even before factoring in mitigating management actions. The Group also has significant financial capacity with liquidity of £411 million, comprising cash of £111 million and undrawn committed facilities of £300 million. In addition, the Group's weighted average interest rate remains low at only 2.2% (falling to 1.9% on a fully drawn basis), with an attractive debt maturity ladder and diverse funding sources, predominantly borrowing on an unsecured basis.
Failure to maximise returns from prevailing market conditions				
We fail to adequately read market conditions and respond accordingly. This could result in making leasing decisions or buying, selling or developing buildings at the incorrect time leading to insufficient returns on our investment. Additionally, in periods of stable markets we may fail to effectively adjust our business model to maximise returns from prevailing market conditions.	2 3 4 6	Strategic financial forecasts are updated prior to each Board meeting including scenario planning for different economic cycles and eventualities. Regular review of property cycle by reference to dashboard of lead indicators. Board annual strategy review including regular economic and market updates received from third parties. Dedicated in-house team with remit to research sub-markets in central London seeking the right balance between investment and development opportunities for current and prospective market conditions. Detailed due diligence undertaken for all prospective acquisitions prior to purchase to ensure appropriate returns. Quarterly review of asset-by-asset business plans to assess future performance and to inform hold/sell decision making.	No change	The Group has this year again continued to take advantage of supportive market conditions through developing 414,600 sq ft of prime Grade A space for delivery in the next 18 months into a supply-constrained market, whilst also profitably recycling capital with £73 million of sales at a 10% premium to book values.

Near-term strategic priorities

1 COVID-19 response
2 Deliver and lease committed schemes
3 Prepare the pipeline
4 Progress sustainability agenda
5 Further embed values
6 Continue to grow flex offer

Our approach to risk continued

How we manage principal risks and uncertainties continued

Principal risk	Link to 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 development programme				
We fail to translate the development pipeline and current committed schemes into profitable developments through poor development management, inappropriate level of development undertaken as a percentage of the portfolio, poor timing of activity and/or inappropriate products for the local market resulting in weak leasing performance, reputational damage, reducing asset values and lowering Group earnings.	2 3 4	Updated strategic financial forecasts reviewed at each scheduled Board meeting including scenario planning for different economic cycles. Development management quarterly updates to 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. 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. Working with agents, potential occupiers and purchasers to identify their needs and aspirations including sustainability, wellbeing and technological advances during the planning application and design stages. Regular pipeline review meetings between Development and Portfolio Management teams and quarterly asset review sessions. 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. Post-completion reviews undertaken through Final Appraisal process on all developments to identify best practice and areas for improvement. Regular review of the prospective performance of individual assets and their business plans with joint venture partners.	No change	We currently have three committed schemes on-site, set to deliver 414,600 sq ft of high quality space, all near Crossrail stations and all targeting BREEAM 'Excellent'. These schemes are already 48% pre-let or under-offer, with two of the schemes due for completion this year, and are expected to generate a profit on cost of 14.7%. Beyond this, the Group is preparing a further ten schemes set to deliver more than 1.4 million sq ft across the coming decade.
Challenging planning environment				
The increasingly stringent planning environment limits our ability to create new spaces, increases costs, and results in our failure to obtain viable planning consents.	3 4	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. Active engagement with planning authorities. Early engagement with local residents and community groups, adjoining owners and freeholders. Third-party expertise used to support in-house teams, where appropriate. Regular updates to the Executive Committee and Board on regulatory and planning policy developments. Sustainable building design, including climate change mitigation and adaption, considered at an early design stage. All our major developments are subject to a minimum BREEAM rating requirement of 'Very Good' for major refurbishments and 'Excellent' for new build developments.	Increasing	To successfully deliver our developments, we work closely with both the local authorities and communities to secure planning consents to create great new spaces, helping London to thrive. The emerging London Plan is now being adopted as policy and includes a number of further challenging requirements. Moreover, our substantial and flexible pipeline of ten uncommitted schemes totals 1.4 million sq ft across four London boroughs, all of which will likely be subject to planning approval requirements. We aim to engage with local authorities in an open, transparent and non-adversarial manner to enable us to secure planning consents that are both beneficial to us and the local communities in which they are built. In line with our social value guidelines, 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. During the year we have continued to work with community groups in the London Bridge area, supporting air quality and urban greening projects, apprenticeship opportunities and local schools. Over the coming months we will continue to support these initiatives, focusing on ensuring that our proposals for New City Court, SE1 enhance the excellent work already being undertaken by community groups in the area. This process is implemented at each development scheme, with urban greening and biodiversity projects currently being supported in Islington as part of early engagement for our 50 Finsbury Square, EC2 and our social value guidelines are in the process of being implemented in full for Oxford House, W1. Moreover, sustainability is becoming ever more important in the planning process with many of our key local authorities declaring climate emergencies. We will look to work with them to support their principles of 'good growth'.

Near-term strategic priorities

1 COVID-19 response
2 Deliver and lease committed schemes
3 Prepare the pipeline
4 Progress sustainability agenda
5 Further embed values
6 Continue to grow flex offer

How we manage principal risks and uncertainties continued

Principal risk	Link to strategic priorities	How we monitor and manage risk	Directional travel of net risk movement over the last 12 months	Commentary
People				
Failure to attract, develop and retain high quality, suitably experienced individuals means we may not have the necessary capability or resource levels resulting in the failure to deliver our business plan.	1 2 3 4 5 6	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 to ensure competitive financial and non-financial packages in line with market rates. Annual personal development planning and ongoing training support for all employees together with focused initiatives to nurture potential successors, including introduction of mentoring programme. Clear articulation of GPE values so all existing and prospective employees understand our core beliefs and behaviours. Launch of new Inclusion and Diversity strategy in October 2019. Health and wellbeing programme implemented following earlier roll-out of mental health training programme. Focus on people engagement with regular two-way communication and responsive employee-focused activities, e.g. Board engagement sessions, employee engagement surveys and flexible working.	No change	The motivation of our people and maintaining our strong collaborative culture remains fundamental to the delivery of our strategic priorities. During the year, the strength of our values and appeal of our culture was highlighted with our most recent employee engagement survey showing 94% of our people would "recommend GPE as a great place to work" and we were delighted to make several internal Senior Management Team promotions as we develop our talent from within. We also successfully launched our Inclusion and Diversity strategy at an all-staff event, with valuable participation from our Non-Executive Directors, and we are pleased to have now achieved the National Equality Standard accreditation. We also broadened our health and wellbeing programme for our employees, held another Community Day, working with our charity partners Centrepoint and Groundwork London, and launched our Board engagement programme. Our employee retention remains high at 87% and we continue to focus on growing the breadth and depth of our talent, providing focused development support where needed.
Meeting occupier needs and competition				
We fail to understand and provide spaces that meet quickly evolving occupier needs, including an inappropriate mix of flex versus traditional space and/or we fail to identify and react effectively to shifting patterns of work space use. This could lead to GPE failing to deliver space that occupiers want resulting in poor investment returns, potentially stranded assets and losing occupiers to competitors.	2 3 4 6	Quarterly review of individual property business plans and the market more generally, including review of property IRRs. Portfolio Management quarterly updates to Executive Committee with reporting at each scheduled Board meeting. Board and management reviews of GPE flexible space offer across the portfolio, including broadening our product offering. The Group's in-house Portfolio Management teams have proactive engagement with occupiers to understand their occupational needs and requirements with a focus on retaining income, including through our annual occupier survey. Our Director of Workplace and Innovation is responsible for keeping the Board up to date on market developments and incorporating innovation in the GPE portfolio.	Increasing	We have had another strong year of leasing, completing 46 new lettings and securing £14.4 million of rent at an 8.8% premium to March 2019 ERVs, whilst continuing the successful roll-out of our flexible space offering. We have also continued to capture reversion across the portfolio and, coupled with the leasing activity, this has helped drive like-for-like Group rent roll up by 3%. Over the past twelve months, our flexible office space has increased from 87,600 sq ft to 219,600 sq ft, or 11% of our office portfolio, and we are also currently appraising a further 152,200 sq ft of flexible space across the portfolio. After the success of our co-working arrangement with Runway East at New City Court, SE1, we expanded our co-working arrangement with a new flexible office partnership arrangement with Knotel for 82,300 sq ft at City Place House, EC2. In addition, we have committed 16,300 sq ft to our new Flex+ space at Dufours Place, W1, which will provide occupiers with added service provision as well as communal facilities such as a courtyard and ground floor café. During the year, we created our Occupier Services and Property Services teams to reflect our focus on customer service delivery and the changing nature of the occupier environment, whilst also ensuring the structure meets the needs of our growing portfolio, in particular given our upcoming development completions. We also commissioned an independent customer satisfaction survey to update our understanding of how our occupiers view their buildings and the services we provide. Encouragingly, our Net Promoter Score increased from +17.5 in 2017 to +25.3 in 2019, materially ahead of our peer group which scored +12.9.
Poor capital allocation decisions				
We make poor decisions regarding the allocation of capital such that we buy, sell, hold or develop the incorrect buildings resulting in inadequate investment returns.	3 4 6	Regular reviews conducted of individual property IRRs, including quarterly review of individual property dashboards, and market generally. Weekly investment meetings held and regular dialogue maintained with key intermediaries. Portfolio Management, Development and Leasing quarterly updates to Executive Committee with reporting at each scheduled Board meeting. Strategic Review forecast on an asset-by-asset basis provides a business plan for each individual property which is reviewed against the performance of the business as a whole. Detailed due diligence processes in place to help ensure appropriate returns.	No change	With limited availability of attractively priced acquisition opportunities and the depth of opportunity in our existing portfolio, we made no acquisitions in the year. However, taking advantage of strong investor demand for well let, attractively located properties, we made sales of £73 million in the year. We also successfully completed our £200 million share buyback, meaning that we have now returned more than £615 million of surplus equity to shareholders since 2017, whilst retaining the lowest loan to value ratio in the UK REIT sector.

Near-term strategic priorities

1 COVID-19 response
2 Deliver and lease committed schemes
3 Prepare the pipeline
4 Progress sustainability agenda
5 Further embed values
6 Continue to grow flex offer

Our approach to risk continued

How we manage principal risks and uncertainties continued

Principal risk	Link to strategic priorities	How we monitor and manage risk	Directional travel of net risk movement over the last 12 months	Commentary
Health and safety				
A serious health and safety incident (including by our contractors) could result in loss of life or serious injury and financial and reputational damage to GPE. Furthermore, significant changes in health and safety regulations driven by government intervention following events such as the Grenfell Tower fire may increase costs of compliance and/or risks of non-compliance.	1 2 3 4 5	Formal quarterly reporting on health and safety to the Executive Committee and regular reporting to the Board, including on progress against new Health and Safety strategy. Regular site health and safety checks undertaken by Executive Committee members, Development and Project Management team members and third parties. Pre-qualification and competency checks undertaken for all contractors and consultants appointed. Formal reporting on near misses/significant incidents and accidents. Annual cycle of health and safety audits. Online health and safety management system in place for business. Comprehensive fire safety management procedures in place.	No change	We continue to focus on ensuring that we have a best in class and proactive health and safety culture at GPE, which we reinforced during the year with the recruitment of a new Head of Health and Safety. During the year, following Board approval, we launched a new Health and Safety strategy, with the goal of embedding a proactive approach to health and safety across our business and with our supply chain partners which goes beyond legal compliance. The main aim was to create an integrated approach, with each individual in the business having the confidence to take ownership of health and safety. We have also enhanced our health and safety management system, integrating systems between our development, occupier and property services teams to improve communication. All employee-related health and safety information has been updated and incorporated on our intranet, complete with case studies of health and safety leadership in the business. We instigated a programme of senior leadership team health and safety tours of our development sites and managed portfolio with a number of inspections taking place during the year. Our change in approach is also being reflected in how we measure health and safety performance incorporating the use of both reactive measures, such as accident reporting and outcomes from accident investigation, as well as more proactive health and safety indicators such as positive health and safety observations and the implementation of control measures. We are also supporting our occupiers, rolling out occupier fire safety monitoring checks to help provide information on changing expectations on fire safety across the industry. The COVID-19 outbreak has required us to put additional health and safety processes in place for our employees, occupiers and suppliers. We have followed Government guidelines from the start of the outbreak, supported our employees in their transition to home working, worked with our suppliers to ensure that essential building maintenance could be carried out safely and introduced additional cleaning measures and social distancing protocols to reassure our occupiers. The Group had six reportable accidents 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.
Cyber security and infrastructure failure				
A cyber attack or infrastructure failure could lead to business or network disruption within our portfolio or loss of occupier data. This could have a significant impact on flex+ occupiers to which we provide increased infrastructure support and high risk occupiers who may seek to recoup damages from GPE, leading to potential direct regulatory fines and reputational damage.	1 2 3 4 5 6	IT and cyber security updates are regularly reported to the Executive Committee and the Board. A head office and portfolio IT risk register is maintained. The Group's IT Business Continuity Plan is regularly reviewed and tested and recovery of data at 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. 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.	Increasing	Given the increased incidence of attempted cyber attacks on UK businesses, we have continued to invest time and resource into our cyber security measures, both in our head office and across our portfolio.

Near-term strategic priorities

1 COVID-19 response
2 Deliver and lease committed schemes
3 Prepare the pipeline
4 Progress sustainability agenda
5 Further embed values
6 Continue to grow flex offer

Viability statement

Assessment of the Group's prospects

In accordance with provision 31 of the 2018 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. The work conducted for this longer-term assessment supports the Board's statements on both viability, as set out below, and going concern as set out on page 157.

The Group's future prospects are assessed regularly and at an annual Strategy Review in April. For the current year, due to the market disruption from COVID-19, the Strategy Review was postponed. In its place, we conducted a comprehensive update of the Group's financial forecasts. This update included a number of market scenarios, including the impact of exiting the EU, a significant recession and a number of potential COVID-19 stress sensitivities. The update included an assessment of the pandemic's impact on the macro-economic environment, forecasts of key property market metrics (including yields and rental value movements), annual valuation movements for each of our properties, forecast cash collection rates based on our experience to date, forecast levels of delinquencies and delays to the delivery of our development programme.

The key outputs from this process are full forecast financial statements for a five-year period, with a primary focus on the first three years. The forecasts are summarised in a dashboard, which analyses 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 forecasts were considered by the Board in April and May, and will be updated and incorporated into the Strategy Review which will now take place in September 2020.

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 under a number of scenarios;
- the refinancing of the Group's debt facilities as they fall due, albeit the Group has only one small refinancing in the viability period (the GVP loan facility);
- the completion of the Group's committed development programme, in line with our most recent estimated completion dates, which constitute 22% of the portfolio by value, and the commencement of selected pipeline projects; 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 often includes high levels of recycling of our property portfolio and a committed development programme which will be delivered over the next three financial years.

The assessment of viability 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, on Group cash flows, profitability, property valuations and the impact on the financial covenants contained in our various loan arrangements. Specifically, given the ongoing economic disruption from COVID-19, our assessment of viability was based on forecasting the Group's performance under a static and a 'Going Concern' market scenario with further sensitivity analysis to understand the resilience of the Group to COVID-19 disruption.

Our static market scenario assumed flat rents and property yields together with our latest forecast cash collection estimates. The Going Concern market scenario then overlaid the impact of a significant economic and property downturn similar in severity to the 2008/09 recession. Over the three-year period the Going Concern scenario reduced values by around 40%.

We modelled these two market scenarios under two COVID-19 stress sensitivities: Severe and Extreme. These sensitivities assumed, for a period of up to 24 months, reduced levels of cash collection, potential occupier failures, increased void periods, delayed development completions and no property disposals. Aligned with our Going Concern assessment, our principal scenario for assessing the Group's viability was the Going Concern market scenario with the Extreme COVID-19 sensitivity.

The results of this sensitivity analysis showed that, given the Group's low levels of debt and high liquidity, it would be able to withstand the impact of these scenarios over the period of the financial forecast and continue to operate with headroom above the financial covenants contained in its various loan arrangements.

In addition, a reverse stress test was performed, to understand how extensive the impact of COVID-19 would need to be to breach the Group's interest cover ratio or inner borrowing covenants. Under this scenario, before any mitigating actions, in the three-year period, rental income would need to fall by around 47%, property values would need to fall by more than 50% and all development activity would need to be suspended by two years.

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 2023.