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

Setting and monitoring our 'risk appetite'

The Group's overarching risk appetite is set in the context that we focus on a single market, that of central London, operating out of a single head office within close proximity to all of our activities. Central London's real estate markets have historically been highly cyclical and, as a result, we apply a disciplined approach to our capital allocation and managing our operational risk, in particular our development exposure, in tune with prevailing market conditions. Furthermore, we aim to operate with low financial risk 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 Board's strategy review and reviewed at each Board meeting. We monitor the Group's actual and forecast position over a five-year period against these parameters.

See more details on our operational measures on pages 20 and 21

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 85, which include:

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

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

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

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

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

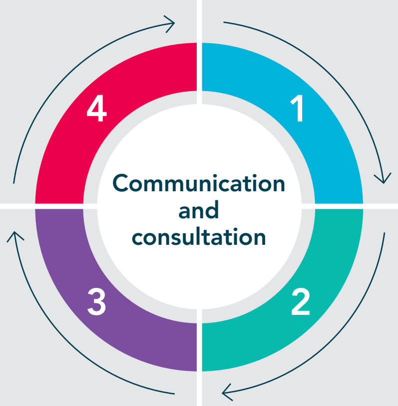
Whilst emerging risks and opportunities are considered as part of this formal six-monthly assessment, the Board spends additional time at scheduled Board meetings on 'blue sky' thinking and consideration of possible emerging risks. The Executive Committee members are tasked to provide a summary at each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

Risk monitoring, reporting and escalation

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

Risk identification

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



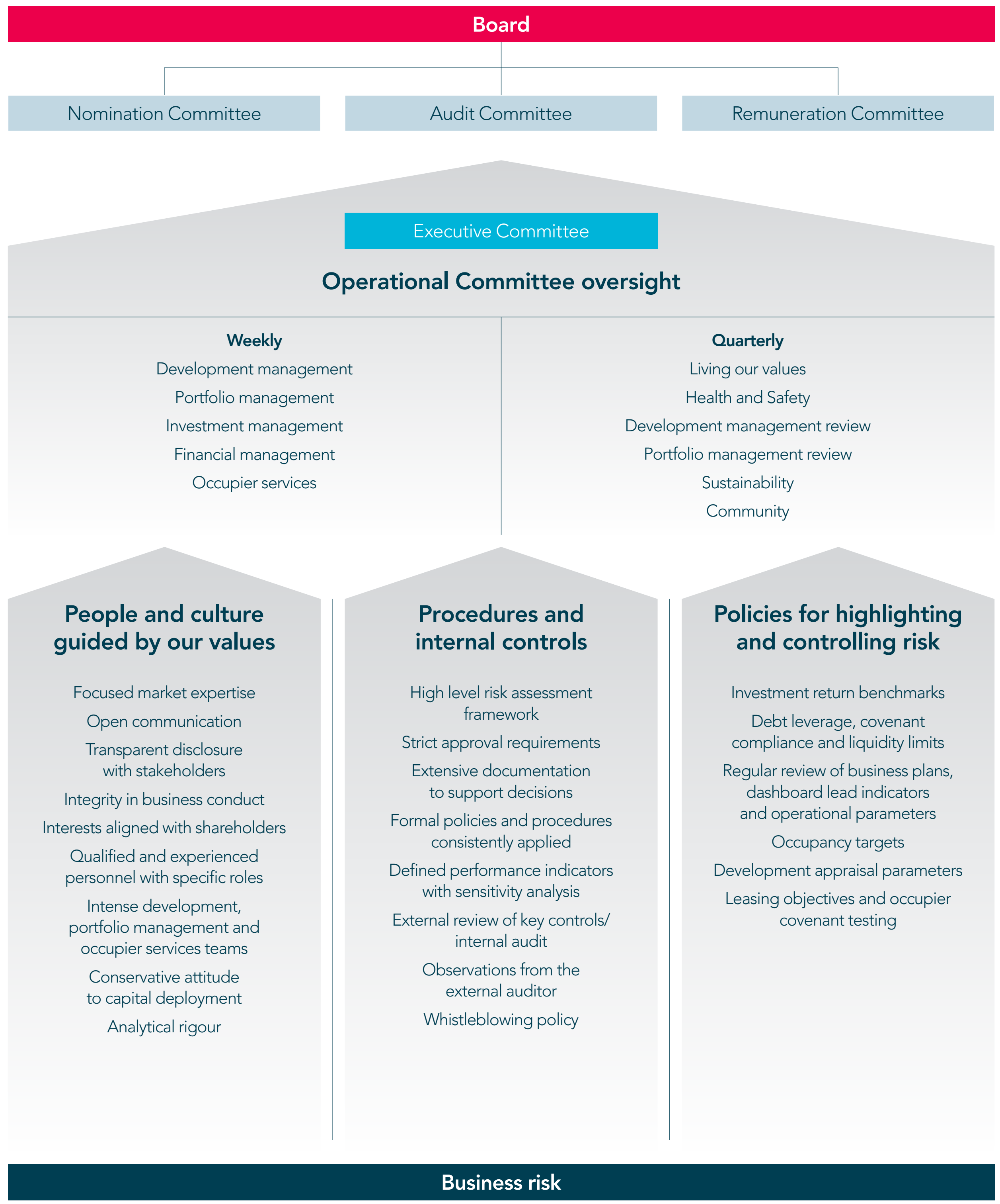
Risk response

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

Risk assessment

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

Board oversight of risk



Our approach to risk continued

As reported in last year's Annual Report, the Audit Committee and Board oversaw an in-depth review of GPE's principal risks in 2019/20 which resulted in the re-framing of our principal risk descriptions, the escalation of some risks to 'principal risk' status and the addition of 'Structural retail changes' and 'Pandemic' as new principal risks.

During the year, the uncertainties, disruption and challenges of the COVID-19 pandemic have continued to evolve and impact the global economy, our markets and operations. Activity in our occupational markets has been hampered by COVID-19 and the necessary public health response. The closure of offices and shops and reduced tourism significantly reduced footfall in London, increased occupier failures and limited our ability to collect rent from some occupiers, particularly in the retail, hospitality and leisure sectors. Economic head winds, combined with successive lockdowns, also reduced occupational demand, take-up and property valuations, particularly in the case of secondary offices and retail assets.

The Board and the Audit Committee have overseen the Company's response to the pandemic throughout the year and the actions taken to mitigate its impacts, including to protect the health and wellbeing of our employees and occupiers and to support our stakeholders during this difficult period. Further details, including the work of the COVID Response Group, can be found on pages 41, 48, 58 to 69 and 88 to 89.

The progress of the vaccination programme has raised hopes of a return to normality and improvements in the public health situation continue to allow for a gradual re-opening of the UK economy. Nevertheless, uncertainty remains as to the future trajectory of the pandemic, including the emergence of new strains of the virus, and COVID-19 is likely to have a prolonged impact. The Audit Committee and Board therefore continues to monitor the risks and potential impacts, as well as the opportunities arising from the pandemic, including potential longer-term structural changes in working and retail practices.

The impacts of the pandemic on market conditions, and the potential implications for our business, are explained in more detail in 'Our markets' on pages 25 to 31 and our viability assessment on page 98.

The Board also continues to monitor the risks arising from ongoing uncertainties in relation to the UK's international trade arrangements following Brexit and the potential impacts on the UK economy and London's attractiveness for businesses, tourists and workers.

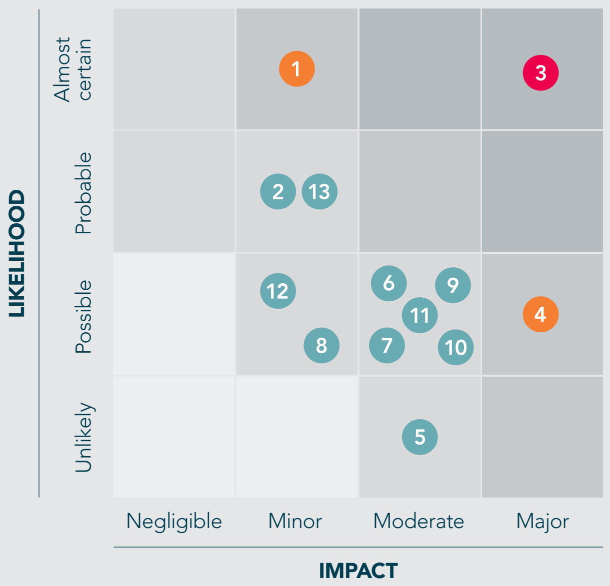
This year, whilst our principal risks remain largely unchanged, we have amended the descriptions of some of our principal risks to reflect how they have evolved over the past 12 months, including the wider impacts of the pandemic and its interconnectivity with multiple risks. Key changes include the following:

- the 'Structural retail changes' risk description has been updated to reflect the accelerated shift of retail sales away from physical stores to online as a result of COVID-19;
- our net risk assessment of 'Climate change and decarbonisation' has reduced, reflecting our progress on net zero carbon during the year;
- the 'Pandemic' risk has been updated to include the risk of longer-term structural changes in working and/or retail practices occurring which could adversely change the level and nature of demand for space in central London;
- the 'London attractiveness' risk now captures the risk of changes in government policies, as a result of COVID-19 and post-Brexit international trading relations, potentially impacting the appeal of London;
- the net risk of a property market dislocation resulting in a breach of our banking covenants has reduced following the prepayment of the non-recourse debt facility in our Great Victoria Partnership joint venture and the diversification of risk through GPE's £150 million USPP issue;

Net risk heatmap

Principal risk

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



Risk severity

Medium High Very high

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

- diversity is considered an important factor in GPE being able to develop and deliver its evolving business plan and meeting customer needs and this has now been reflected in our 'People' risk; and
- the increase in attempted cyber crime during COVID-19, combined with greater reliance on technology and increased vulnerabilities during periods of home working by employees, has led to an increase in the risk of 'Cyber security and infrastructure failure'.

A description of the Group's principal risks and a summary of the key controls and steps taken to mitigate those risks, together with how the net risk rating for each risk has changed in the year, is shown on pages 88 to 97. The likelihood and impact of each principal risk is assessed on a gross, net (taking account of the Group's existing controls and mitigations) and target risk basis (to determine whether the net risk position is within the Board's appetite level). The net risk assessment for each principal risk is shown on the heatmap on page 86.

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

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

- relatively low levels of authority for transactions requiring Board approval, with investment transactions and development approvals requiring, amongst other matters, consideration of the impact on financial leverage, interest cover and portfolio risk/composition;
- the Executive Committee's oversight of all day-to-day significant decisions;
- the Chief Executive reporting on the market conditions dashboard, operational parameters and sustainability, as appropriate, at each scheduled Board meeting;
- members of the Executive Committee providing a review of the development programme, occupational markets and key property matters at each scheduled Board meeting;
- the Chief Financial & Operating Officer reporting on Group forecasts, including actual and prospective leverage metrics, the occupier watch list and delinquencies, HR matters, cyber and IT initiatives 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;
- the Audit Committee meeting with the valuers at least twice a year to better understand market conditions and challenge the assumptions underlying the valuation; and
- the Audit Committee receiving internal audit reports on key risk and control areas and observations from the external auditor.

Our focus during the year

In light of the ongoing disruption and uncertainties, the focus of our strategy and business model, with a clear linkage of our risks to overarching strategic priorities and operational parameters, has again been revisited this year at all of our scheduled Board meetings. Areas of significant focus have included:

- GPE's response to the pandemic to mitigate risks throughout our business, including in respect of employees, operations, occupiers, suppliers and the development programme. Additional Board meetings and updates have been held during the year to consider our risks and opportunities arising from the pandemic;
  See more on pages 16, 17, 41, 47 to 53, 58 to 67, 114 and 115
- the completion of developments at The Hickman, E1 and Hanover Square, W1, the progress of our development at 1 Newman Street & 70/88 Oxford Street, W1 and the approval and commencement of the extensive repositioning of 50 Finsbury Square, EC2;
  See more on pages 35, 36, 71 and 112
- the development planning and planning status of our three near-term schemes at 2 Aldermanbury Square, EC2, New City Court, SE1 and Minerva House, SE1;
  See more on page 37
- the continued leasing activity across our development portfolio, including lettings achieved at Hanover Square, W1 and The Hickman, E1;
  See more on page 40
- continuing to crystallise profits through the sale of all six residential apartments at Hanover Square, W1 for £32.0 million (our share £16.0 million) while continuing to assess our individual asset strategies;
  See more on page 42
- enhancing our debt maturity profile and securing additional low cost, unsecured funding by way of the issuance of £150 million of new US private placement notes;
  See more on pages 82 and 83
- given our risks of 'Failing to maximise returns from prevailing market conditions' and 'Meeting occupier needs', further developing our flex product, including with the launch of our first innovative Flex+ offering at 16 Dufour's Place, W1 and further implementing market-leading technology solutions across our portfolio, including our sesame™ app. The Board also approved a new three-year Workplace and Innovation strategy;
  See more on pages 40 and 60
- progressing our Inclusion and Diversity strategy and related initiatives and approving our roadmap focused on improving diversity at Executive Committee level;
  See more on pages 51, 52 and 121
- approving the launch of our Roadmap to Net Zero, setting out how we will decarbonise our business by 2030;
  See more on pages 9 and 74 to 76
- implementing our Health and Safety strategy and strengthening our procedures across the portfolio; and
  See more on page 65
- continued focus on our cyber governance both at head office and in relation to IT equipment across our portfolio, including the adoption of a new IT strategy.
  See more on pages 97 and 130

Our approach to risk continued

How we manage principal risks and uncertainties

Principal risk	Strategic priorities	How we monitor and manage risk	Net risk movement over the last 12 months	Commentary
Structural retail changes				
A continued structural shift in the retail industry, accelerated by COVID-19, forces changes to leasing requirements (e.g. turnover rents or shorter lease terms) and/or reduces the demand for, or profitability of retail space in central London. This reduces rental values and income, asset values and returns from retail space.	2 Drive innovation and change 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Strategic financial forecasts updated prior to each Board meeting including scenario planning for different economic cycles. – Quarterly review and proactive monitoring of asset-by-asset business plans to assess exposures and inform hold/sell strategies. – Regular reporting to Executive Committee and Board on negotiations and marketing campaigns, cash and rent collection. – Regular updates received from central London retail agencies to understand current market trends and anticipating future changes to deal structures. – Proactive engagement with retail occupiers to understand their occupational needs with a focus on retaining income, including through appropriate rent concession agreements. – Design Review Panel reviews building design and specification to ensure the scheme can accommodate flexibility of unit sizes appropriate for future retail occupier demand. White box units are created where appropriate to encourage demand. – In-house Leasing and Marketing teams liaise with external advisers on a regular basis, creating marketing campaigns, agreed budgets and timelines in accordance with our leasing/marketing objectives. – Active participation in industry groups to promote London and lobby government to reduce pandemic-driven intervention on rent collection.	No change	Retail space comprises 22% of our portfolio by value. During the year, UK retail has continued to suffer from a combination of lower retail sales and a structural shift, further accelerated by COVID-19, as increasing volumes of sales move online. Central London retail has been more significantly impacted as tourists have been absent and consumers have avoided busy locations during the pandemic, particularly where reliant on public transport. This has impaired our retail rent collection rate and the performance of our retail assets, with rental values falling by 27.3% across the portfolio. Our retail focus is to deliver 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. We anticipate that the continued progress of the vaccination programme will allow for a gradual reopening of the UK economy, and with it a re-population of city centres, including the return of international tourists and office workers who are crucial to supporting London's retail trade. Our current focus is on leasing the retail space in our developments at Oxford House, at the eastern end of Oxford Street, and Hanover Square, at the northern end of New Bond Street. In both cases we aim to deliver new retail experiences into locations that will benefit from the planned opening of Crossrail in 2022 and we will continue to be creative in our leasing strategy, including considering alternative uses where appropriate as supported by the government's recent changes to the 'Use Classes' system. We continue to proactively monitor individual asset plans and our exposure to any underperforming retail assets.
Climate change and decarbonisation				
The need to decarbonise our business increases the cost of our activities through the need to retrofit buildings to improve their sustainability credentials (e.g. minimum energy efficiency standards and building ratings). This also 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.	1 Progress sustainability agenda 2 Drive innovation and change 6 Prepare the pipeline	– 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 impact strategy and risks. Its Portfolio and Development sub-committees meet monthly and report to Sustainability Committee on progress. – Dedicated Sustainability & Social Impact Director on the Executive Committee supported by Sustainability Managers. – 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. – Net Zero Carbon Roadmap established and carbon offsetting strategy approved by the Board. Decarbonisation fund established to support energy efficiency retrofitting in existing buildings. – ESG-linked RCF and the introduction of ESG strategic bonus measures for Executive Committee members to support delivery of decarbonisation within the business. – Programme of ESG investor engagement in place, with regular review of reporting requirements and participation in investor indices. – Steering group to assess, manage and monitor EPC risks across the portfolio and to inform our buy, hold and sell decisions.	Decreased	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 2020 our Sustainability Statement of Intent 'The Time is Now', this year we created our Roadmap to Net Zero, setting out how we will address the first pillar of the statement to decarbonise our business to become net zero carbon by 2030. The mitigating actions we are taking have supported a reduction in our overall net risk assessment for this risk. In early 2020, we incorporated our energy intensity target into our ESG-linked revolving credit facility, along with targets to reduce embodied carbon from our new developments and major refurbishments by 40% and to improve biodiversity net gain across our portfolio by 25%, in each case by 2030. 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 are being used to assess levels of remuneration. Good progress has been made against the 2020/21 annual targets, as set out on page 21. We continue to work to improve the number of our buildings rated for their sustainability credentials. Further to existing requirements for most commercial buildings to have at least an EPC 'E' rating by 1 April 2023, in December 2020, the UK government announced its intention that all buildings will require an Energy Performance Certificate (EPC) rating of 'B' or above by 2030. We estimate that 80%–90% of London's buildings do not currently meet this standard. As a result, we are compiling individual asset plans to proactively improve EPC ratings to meet government and broader stakeholder expectations, to assess potential exposures and inform our hold/sell strategies. Furthermore, we expect the sustainability challenge to provide us with potential opportunities to acquire orphaned assets needing a sustainability solution.
Pandemic				
COVID-19 and/or a future pandemic leads to a major and prolonged economic recession and associated fiscal response, significant decreases in demand in our markets, reduced footfall in central London, impairs our occupiers' ability to meet their rental obligations, adversely impacts our rental values and rent collection, reduces the availability, health and wellbeing of our workforce and/or disrupts our supply chains resulting in a decreased ability to maintain the consistency of our operations. A longer-term structural change in working and/or retail practices could occur as a result of a pandemic which changes the level and nature of demand for space in central London and we are unable to respond appropriately or quickly enough to meet evolving occupier needs.	1 Progress sustainability agenda 2 Drive innovation and change 3 Continue to grow Flex offer 4 COVID-19 response 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Business Continuity Plans and IT Business Continuity Plans in place. – Response Committee established and led by the Chief Financial & Operating Officer to identify risks and concerns to help manage GPE's response to the COVID-19 crisis with weekly reporting to the Executive Committee. – Additional 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. – Health and safety plans to support employees, occupiers and contractors through lockdowns and their return to work, and to keep buildings open and 'COVID-19 Secure'. – Health and wellbeing programme implemented to support employees' physical and mental health. – Selection of contractors and suppliers based on creditworthiness.	No change	During the year, the uncertainties, disruption and challenges of the COVID-19 pandemic have continued to evolve and impact the global economy, our markets and operations. The closure of offices and shops, and reduced tourism, have increased occupier failures, impacted rent collection and reduced occupational demand and property valuations, especially in relation to retail, hospitality and leisure assets. The ongoing vaccination programme and government roadmap to easing lockdown restrictions is currently supporting renewed optimism and market activity, however we remain mindful of the risk of further waves of the pandemic and the emergence of new variants. The Board, Audit and Executive Committees have overseen the Company's response to the pandemic throughout the year. We have engaged extensively with all our stakeholders, including offering financial assistance to our occupiers on a case-by-case basis, extended our community activities, including through the deployment of our Community Fund, and worked hard to ensure the safety and wellbeing of our employees, occupiers and contractors. All our office properties have remained open throughout the year, operating to government guidelines. We have also issued bespoke 'Return to the Workplace' playbooks to all occupiers to assist them in managing their phased repopulation of their offices as the lockdown eases. None of our employees have been furloughed and the Group has no current plans to access any UK government COVID-19 funding.

Our approach to risk continued

How we manage principal risks and uncertainties continued

Principal risk	Strategic priorities	How we monitor and manage risk	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. post-Brexit international trading relationships), reduced appetite to travel to and work in London following COVID-19, changes in government policies adversely impacting London's appeal, the rise of alternative destinations for international trade, the impact of civil unrest and terrorism, the impact of long-term climate change (including 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 Drive innovation and change 3 Continue to grow Flex offer 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Board annual strategy review with regular economic and market updates received from third parties. – Strategic financial forecasts are updated prior to each Board meeting with scenario planning for different economic cycles and eventualities, including to reflect potential impacts regarding COVID-19 and the UK's international trade relationships post-Brexit. – Regular review of strategic priorities and transactions in light of the Group's dashboard of lead indicators and operational parameters. Key London indicators are monitored to help inform GPE's view of London's recovery following COVID-19, with potential actions identified in the Board strategy review. – The impact of post-Brexit UK, EU and international trading relationships continues to be monitored and reported to the Executive Committee and Board. – The Group aims to maintain a consistent policy of low financial leverage. – Active participation in industry groups to promote London.	No change	London generates around 24% 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. The closure of many offices and shops, reduced tourism and a greater reliance on public transport have meant that London has been disproportionately impacted by COVID-19. Whilst activity levels remain low, we fully anticipate that London will be reinvigorated as the world returns to normal. Moreover, improving infrastructure, including extensions of the tube network and the expected opening of Crossrail in 2022, will bring more people within central London's reach. Central London has one of the world's largest commercial real estate markets, with around 440 million sq ft of office and retail property attracting a deep and diverse mix of 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. Its combination of relative value, strong legal system, time zone advantages, international connectivity and a welcoming attitude to global businesses has resulted in London being the number one city for cross border office investment for seven out of the last ten years as measured by Real Capital Analytics. Whilst we continue to monitor for changes in government policies as a result of COVID-19 and the UK's global trading relationships post-Brexit, London has a long history of reinvention and innovation, and we anticipate that as confidence returns, London's economy will bounce back and its magnetism as a global cultural and business centre will be undiminished.
Impact of property market dislocation on financial leverage and banking covenants				
Capital markets disruption, macro-economic shock and/or an adverse change in market conditions reduces asset values and curtails income which could increase GPE's financial leverage and potentially result in our breaching banking covenants.	2 Drive innovation and change 3 Continue to grow Flex offer 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Quarterly review of capital structure, including gearing levels, by the Chief Financial & Operating Officer 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. – Proactive balance sheet management. – Investor relations programme, with regular broker consultation, to build a supportive shareholder base in the event of future fundraisings. – Regular review of financing by the Chief Financial & Operating Officer and Executive Committee with reporting at each Board meeting.	Decreased	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 2021, our property LTV was 18.4%, net gearing was 24.6% and interest cover not measurable. As a result, we have substantial headroom above our Group debt covenants. We estimate property values could fall around 56% before Group debt covenants could be endangered, even before factoring in mitigating management actions. The risk of a property market dislocation resulting in a breach of our banking covenants has reduced following the prepayment of the non-recourse debt facility in our Great Victoria Partnership joint venture and the diversification of risk through GPE's £150 million USPP issue during the year. The Group also has significant financial capacity with liquidity of £443 million, comprising cash of £38 million and undrawn committed facilities of £405 million. In addition, the Group's weighted average interest rate remains low at only 2.5% (falling to 2.0% 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 and/or high value markets we fail to effectively adjust our business model to maximise returns from prevailing market conditions.	1 Progress sustainability agenda 2 Drive innovation and change 3 Continue to grow Flex offer 4 COVID-19 response 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– 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 a 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 risk adjusted returns. – Quarterly review of asset-by-asset business plans to assess future performance and to inform hold/sell decision making.	No change	Despite the economic impact and uncertainties arising from COVID-19, the Group has been active in its key markets and has completed two development schemes at Hanover Square, W1 and The Hickman, E1, totalling 296,800 sq ft of prime Grade A space. We also commenced the substantial repositioning of 50 Finsbury Square, EC2 which is due for completion in mid 2022. We continue to assess potential acquisition opportunities across central London. However, the type of assets we typically look to buy, in particular, assets with repositioning and/or development opportunities at prices that, in our view, fairly reflect their risk adjusted returns, continue to be limited. However, we do expect opportunities to emerge in the second half of 2021 as investment volumes recover, COVID-19 restrictions lift and the market reopens.

Our approach to risk continued

How we manage principal risks and uncertainties continued

Principal risk	Strategic priorities	How we monitor and manage risk	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, an inappropriate level of development undertaken as a percentage of the portfolio, failure to agree acceptable terms with freeholders/adjoining owners/other stakeholders, poor timing of activity and/or inappropriate products for an evolving market and occupier needs (including sustainability expectations). This may result in weak leasing performance, reputational damage and reducing property returns.	1 Progress sustainability agenda 2 Drive innovation and change 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Updated strategic financial forecasts reviewed at each scheduled Board meeting including scenario planning for different economic cycles. – Development management quarterly updates to the Executive Committee with reporting to each scheduled Board meeting. – Regular review of portfolio mix and asset concentration. Adjustment of the portfolio as appropriate through undertaking acquisitions and/or development projects in joint venture or forward funding. – 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 stakeholders, including agents, potential occupiers and purchasers, to identify and address their needs and aspirations, including in respect of safety, sustainability, wellbeing and technology during the planning application and design stages. – Regular pipeline review meetings between Development and Portfolio Management teams and quarterly asset review sessions. – Selection of contractors and suppliers based on their track record of delivery and creditworthiness, corporate responsibility and sustainability credentials. – In-house Project Management team closely monitor construction and manage contractors to ensure adequate resourcing to meet the 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 two committed schemes on-site, set to deliver 250,800 sq ft of high quality space, both near Crossrail stations and targeting BREEAM 'Excellent'. These schemes are 23.2% pre-let, with one of the schemes due for completion shortly. Beyond this, the Group is preparing a further eight schemes set to deliver more than 1.3 million sq ft across the coming decade, which are being designed to meet the highest standards of sustainable design, embrace technology and provide a variety of adaptable and flexible working environments. **See more on pages 34 to 38**
Challenging planning environment				
The increasingly stringent planning environment limits the ability to create appropriate new spaces, increases costs and results in our failure to obtain viable planning consents and deliver the development pipeline.	1 Progress sustainability agenda 2 Drive innovation and change 6 Prepare the pipeline	– 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 adaptation, is 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.	Decreased	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 London Plan is now policy and includes a number of further challenging requirements. Moreover, our substantial and flexible pipeline of eight uncommitted schemes totals 1.3 million sq ft across four London boroughs, all of which will likely be subject to planning approval requirements. Overall, we consider that the net risk arising from the planning environment has reduced during the year following regulatory and local policy changes, including reforms to the 'Use Classes Order' and a relaxation of affordable housing requirements in some boroughs, and the strengthening of our understanding of the evolving planning landscape and our ability to engage with key planning authorities. 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, including Bankside Open Spaces Trust where, with our funding, they were able to bring their parks team back from furlough to maintain green spaces and provide much needed support for local volunteers. Our air quality, urban greening and apprenticeship initiatives will extend to our proposals for New City Court, SE1 to enhance the work already being undertaken by community groups in the area. Our social value guidelines ensure that we monitor the social impact from our development activities to deliver targeted outcomes. Urban greening and biodiversity projects are currently being supported in Islington as part of early engagement for our 50 Finsbury Square, EC2 scheme and were implemented for 1 Newman Street, W1. Moreover, sustainability is becoming ever more important in the planning process with key local authorities declaring climate emergencies. We will look to work with them to support their principles of 'good growth'.

Our approach to risk continued

How we manage principal risks and uncertainties continued

Principal risk	Strategic priorities	How we monitor and manage risk	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, diversity or resource levels resulting in the failure to deliver or develop our business plan.	1 Progress sustainability agenda 2 Drive innovation and change 3 Continue to grow Flex offer 4 COVID-19 response 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– 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 mentoring and coaching programmes. – Clear articulation of GPE values so all existing and prospective employees understand our core beliefs and behaviours. – Board and Nomination Committee oversight of our Inclusion and Diversity strategy and new roadmap to improve the diversity of our Executive Committee. – Health and wellbeing programme implemented to support employees' physical and mental health, including through COVID-19. – Focus on people engagement with regular two-way communication and responsive employee-focused activities.	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 pulse survey showing 95% of our people would "recommend GPE as a great place to work". We continue to develop our talent from within and we were delighted to promote Janine Cole to the Executive Committee this year, in addition to making several other internal promotions to the Senior Management Team. Following our achievement of the National Equality Standard accreditation in April 2020, we continue to implement initiatives to progress our Inclusion and Diversity strategy, with valuable participation from our Non-Executive Directors. In November 2020, the Nomination Committee approved our Inclusion and Diversity Roadmap which sets a clear priority to improve the diversity of the Executive Committee. During a challenging year, the physical and mental wellbeing of our people has been a key priority. Accordingly, we took the opportunity to formally review the wellbeing programme, which we launched in 2019, to focus on the physical and mental health, work-life balance and financial wellbeing of our people. We have also continued our Board Engagement Programme to enable the Board to listen and respond to feedback from employees and to discuss important matters impacting the business. Our employee retention remains high at 91% and we continue to focus on growing the breadth, depth and diversity of our talent, providing focused development support where needed.
Meeting occupier needs				
We fail to identify and react effectively to shifting patterns of work space use and/or understand and provide spaces that meet quickly evolving occupier needs. This could lead to GPE failing to deliver space and lease terms that occupiers want and/or an inappropriate mix of flex versus traditional space, resulting in poor investment returns, potentially stranded assets and losing occupiers to competitors.	1 Progress sustainability agenda 2 Drive innovation and change 3 Continue to grow Flex offer 4 COVID-19 response 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Quarterly review of individual property business plans and the market more generally, including review of property IRRs. – Portfolio Management quarterly updates to the Executive Committee with reporting at each scheduled Board meeting. – Board and management review of GPE's flexible space offer across the portfolio, including broadening our product offering. – The Group's in-house Occupier and Property Services teams have proactive engagement with occupiers to understand their occupational needs and requirements with a focus on retaining income, including through meetings and regular occupier surveys which help us track our Net Promoter Score. Executive Committee members meet with our top 20 occupiers at least once a year. – 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. – Board annual strategy review, including market updates received from third parties.	No change	We have had another busy year of leasing, completing 27 new lettings and securing £12.9 million of rent at a 2.4% premium to March 2020 ERVs, whilst continuing the successful roll-out of our flexible space offering. Over the past 12 months, our flexible office space has increased from 219,600 sq ft to 266,700 sq ft, or 13.2% of our office portfolio, and we are also currently appraising a further 134,100 sq ft of flexible space across the portfolio. This year we also delivered 16,300 sq ft of new Flex+ space at 16 Dufour's Place, W1, which provides occupiers with added service provision as well as communal facilities such as a courtyard and ground floor café. To date the building is already 71% let or under offer. Based on our successes to date at 16 Dufour's Place, we are rolling out our Flex+ offer to a further six buildings to capture the growing demand for this innovative offer in prime locations. We continue to design and innovate in the areas of sustainability, technology, wellbeing and service provision to meet evolving occupier needs. We were very encouraged by this year's independent customer satisfaction survey which updated our understanding of how our occupiers view their buildings and the services we provide. Encouragingly, our Net Promoter Score increased from +25.3 in 2020 to +42.0 in 2021, materially ahead of our peer group average of -6.1.
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.	1 Progress sustainability agenda 2 Drive innovation and change 3 Continue to grow Flex offer 6 Prepare the pipeline	– Regular reviews conducted of individual property IRRs, including quarterly review of individual property dashboards and the market generally. – Weekly investment meetings held and regular dialogue maintained with key intermediaries. – Portfolio Management, Development and Leasing quarterly updates to the Executive Committee with reporting at each scheduled Board meeting. – Strategy 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.	Increased	Capital allocation risk has increased in view of uncertain and potentially volatile market conditions. 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, we made sales of £16.0 million in the year. We also committed to the substantial repositioning of 50 Finsbury Square, EC2 which is due for completion in mid-2022.

Our approach to risk continued

How we manage principal risks and uncertainties continued

Principal risk	Strategic priorities	How we monitor and manage risk	Net risk movement over the last 12 months	Commentary
Health and safety				
A health and safety incident (including by our contractors) results in loss of life, significant injury, widespread infection, and financial and/or reputational damage to GPE. Furthermore, significant changes in health and safety (including fire safety) regulations and practice driven by government intervention following events such as COVID-19 and Grenfell may increase compliance and development costs and/or risks of non-compliance.	1 Progress sustainability agenda 2 Drive innovation and change 4 COVID-19 response 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Quarterly Health and Safety Committee meetings are held with formal quarterly reporting on health and safety to the Executive Committee and regular reporting to the Board, including on progress against our Health and Safety strategy. – Regular site health and safety checks are undertaken by Executive Committee members, Development and Project Management team members and third parties. – Pre-qualification and competency checks are undertaken for contractors and consultants with contractor management processes in place. – Formal reporting on near misses/significant incidents and accidents. – Annual cycle of health and safety audits. – Online health and safety management system in place for the business. – Comprehensive fire safety management procedures in place. – Activities are undertaken to monitor and raise employee awareness and understanding of health and safety matters, including through employee engagement surveys. – Comprehensive health and wellbeing programme in place for employees with mental health first aiders and an employee assistance programme. – Pandemic policies and procedures in place for head office and portfolio buildings.	No change	We continue to focus on ensuring that we have a best-in-class and proactive health and safety culture. During the year, considerable focus has been given to ensure that our buildings and development sites have remained 'COVID-19 Secure' for our occupiers, suppliers and employees. Cleaning and air quality processes were strengthened and twice weekly lateral flow testing was introduced for employees, and strongly recommended for visitors, to further support the health and safety of all those using our buildings and head office. Employee mental health and wellbeing remains a key focus. Recognising the potential impact of the pandemic across our workforce, we continued our roll-out of mental health first aider training and wellbeing webinars in addition to home ergonomic work station assessments. During the year we refreshed our Health and Safety Committee to ensure there was senior representation from across all areas of the business. We improved reporting on asset level compliance, with consultants assigning risk ratings to all assets, allowing us to better pinpoint where proactive health and safety interventions were required. With the Grenfell Tower Inquiry still in progress, and the likely legislative changes to be implemented through the Building Safety Bill and Fire Safety Bill, we are actively monitoring developments and are proactively reviewing our own fire safety practices and procedures. The Group had no 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. We continue to undertake activities to raise employee awareness and understanding of health and safety requirements. In our most recent employee pulse survey, 93% of respondents agreed or strongly agreed that the organisation takes health and safety seriously, whilst 88% felt that they had received the necessary health and safety training to do their jobs.
Cyber security and infrastructure failure				
A cyber attack or infrastructure failure could lead to business or network disruption within our portfolio or loss of information or occupier data. There is the potential for greater impact on Flex+ occupiers to which we provide increased infrastructure support and high risk occupiers. This may result in litigation, reputational damage, financial or regulatory penalties.	1 Progress sustainability agenda 2 Drive innovation and change 3 Continue to grow Flex offer 4 COVID-19 response 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– IT and cyber security updates are regularly reported to the Executive Committee and the Board. Our new three-year IT strategy was adopted in March 2021. – Cyber security systems and controls are in place and regularly reviewed, with external support, against best practice. – A head office and portfolio IT risk register is maintained. – The Group's IT Business Continuity Plan is regularly reviewed and tested and recovery of data at an off-site recovery centre is tested during the year. – Regular testing of IT security is undertaken including penetration testing of key systems. – The Group's data is regularly backed up and replicated. – The Group's Cyber Third Party Management and Security Policy and processes are designed to identify and control cyber-related risks arising from our third-party relationships. – Employee awareness training on cyber risk is undertaken regularly. – Cyber risk insurance is in place. – Each building has a bespoke Emergency Action Plan, maintaining appropriate systems to mitigate any infrastructure failure.	Increased	Cyber security risk has increased due to the rise in attempted cyber crime during COVID-19, combined with greater reliance on technology and increased vulnerabilities during periods of home working by employees. We have continued to invest time and resource into our cyber security measures, both in our head office and across our portfolio. During the year, a red team penetration testing exercise was completed, facilitated by PwC. The results of the exercise were considered by the Audit Committee and a number of recommended actions are now being implemented by management to further improve GPE's defences in certain areas. The Board approved a new three-year IT Strategy in March 2021, which is designed in part to further enhance our IT and cyber controls as we continue to innovate and digitise our business.

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 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 170.

The Group's future prospects are assessed regularly and at an annual Strategy Review in April. This review is led by the Chief Executive drawing on expertise across the Group. This year it included an assessment of the pandemic's potential 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, the impact of climate change and a selection of development scenarios. It also included a number of market assumptions, including base, upside and downside scenarios, to reflect different potential economic outcomes, including the trajectory of COVID-19, and a number of business activity responses including development activity, sales and acquisitions.

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, compliance with the REIT rules and headroom in respect of the financial covenants contained in the Group's various loan arrangements. The Strategy Review was considered by the Board in April 2021, with updated forecasts, including a Going Concern market scenario to reflect the impact of an event similar to the 2008/09 financial crisis in severity, presented to the Board in May.

The 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 no debt expiries in the viability period;
- estimated cash collection rates based on an occupier by occupier basis;
- the completion of the Group's committed development programme, in line with our most recent estimated completion dates and the commencement of selected pipeline projects; and
- forecast interest rates.

Assessment of risks

The Group's principal risks are subject to regular review by the Executive Committee, Audit Committee and the Board. The review conducted for the preparation of the Annual Report and the Viability Statement demonstrated limited change in our principal risks over the year.

The risks with the greatest potential impact on the Group's viability were considered as follows (see pages 88 to 97 above):

- **London attractiveness:** we rely on London continuing to attract global capital, businesses and talent from around the world to support demand for our properties, including the impact of post-Brexit trading relationships;
- **Impact of property market dislocation on financial leverage and banking covenants**: financial stress in our key markets could materially reduce property values and the Group's income risking a breach of our banking covenants;
- **Climate change and decarbonisation**: a changing climate could impact the resilience of our buildings, impact our ability to deliver new developments and reduce the demand for the buildings we own; and
- **Pandemic:** leading to a major and prolonged economic recession and associated fiscal response, significantly decreasing in demand in our markets.

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 risks set out above. Specifically, given the ongoing economic disruption from COVID-19, our assessment of viability was based on Group's performance under a Going Concern market scenario, with further sensitivity analysis to understand the resilience of the Group to a significant economic shock.

The Going Concern market scenario reduced office rental values by 28% from March values combined with outward yield shift of 140 basis points. When combined with further retail property value falls, over the three-year period this scenario reduced property values by around 46%. The assessment demonstrated that given the Group's low levels of debt and high liquidity, it would be able to withstand the impact of this 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, reverse stress tests were performed, to understand how extensive any valuation and income fall would be required to extinguish the Group's liquidity and/or breach the Group's gearing, 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 98% and property values would need to fall by more than 45%.

The assessment also included a review of the potential impact of climate change on the Group. Whilst it would be unlikely to affect the viability of the Group within the three-year review period, we ran a scenario to assess the impact of a significant increase in the cost of maintaining our portfolio. This did not impact our viability assessment.

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 2024.