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 by maintaining conservative financial leverage.

We use a suite of key operational parameters as an important tool to set and then measure the Group's risk profile. These parameters consider, amongst other matters, the Group's size, financial gearing, interest 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.

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

Our risk culture and how we manage our risks

Our 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 65, which include:

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

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

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

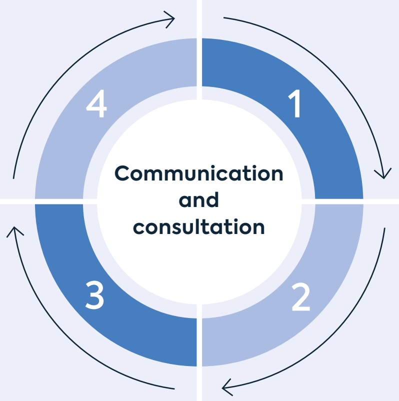
As part of a robust assessment of the principal and emerging risks facing the Group, at the half-year and year end, the Executive Committee, Audit Committee and Board formally review the Group's principal and emerging risks, including those that would threaten its business model, future performance, solvency 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, including any instances where net risk assessments may exceed the target risk position;
- consideration of any emerging risks and opportunities; and
- the Board's ongoing monitoring of these risks.

Whilst emerging risks and opportunities are considered as part of this formal six-monthly assessment, the Board spends additional time at scheduled Board meetings on 'blue sky' thinking and consideration of possible emerging risks. Executive Committee members are tasked to provide a summary in their regular Board updates of the three 'things' concerning and exciting them the most. We also ask our Heads of Department the same question to continually challenge ourselves as to how we should evolve. Emerging risks are also considered by the Board as part of its annual strategy review. While risks relating to structural market changes, 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, evolving working patterns and behaviours, fiscal policies and energy security.

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/Monthly
Development management
Portfolio management
Investment management
Financial management
Occupier and property services

Quarterly
Living our values
Health and safety
Development management review
Portfolio management review
Sustainability
Social impact

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 occupier 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
Observations from the external auditor
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 customer covenant testing

Business risk

Our approach to risk continued

The uncertainties, disruption and challenges of the COVID-19 pandemic continued into the year, impacting our markets and our operations. The Board and the Audit Committee have overseen the Company's response to the pandemic, the actions taken to mitigate its impacts, and also the opportunities arising from the pandemic, including in relation to potential longer-term structural changes in working and retail practices.

As our markets recovered over 2021/22 as the impacts of COVID-19 abated, recent tragic events in Ukraine have impacted the global economy and supply chains and accelerated inflationary pressures. The Board and Audit Committee continue to monitor the risks arising from the Russia-Ukraine conflict and geopolitical tensions, as well as the ongoing uncertainties in relation to the UK's international trade arrangements, and their potential impacts on the UK economy, our operations and London's attractiveness. Further details on market impacts can be found in 'Our markets' on pages 21 and 22 and our viability assessment on page 78.

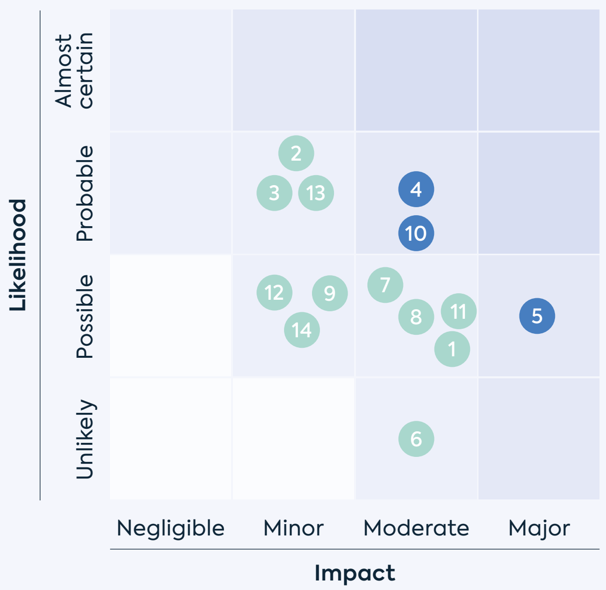
Our principal risks remain largely unchanged from the prior year, save for the inclusion of one new principal risk as described below ('Flex operational capabilities and service provision'). In addition, we have amended the descriptions of some of our principal risks to reflect how they have evolved over the past 12 months. Key changes include the following:

- as we drive our Flex strategy and scale-up our Flex operations, our ability to deliver this operationally intensive part of our business, control costs and generate appropriate risk adjusted returns has grown in significance. At the same time, our ability, directly and through our partners, to deliver quality services that meet the needs of our customers has also become increasingly important. 'Flex operational capabilities and service provision' has therefore been added to the Group risk register this year as a new principal risk;
- the risks associated with longer-term structural changes in working practices now subsist outside of the 'Pandemic' risk and have therefore been incorporated into our 'Meeting customer needs' risk. More generally, we now refer to our 'customers' rather than 'occupiers' in line with our Customer first approach;
- our risk assessment of 'Pandemic' has reduced as the impacts of COVID-19 have subsided. Nevertheless, uncertainty remains as to the future trajectory of the pandemic, including the emergence of new strains of the virus, and 'Pandemic' therefore remains a principal risk at the current time;
- following the occurrence of structural retail changes, our structural retail change risk has been updated to refer to 'Retail market uncertainties' more broadly and has also been updated to reference the risk of inflation and higher interest rates adversely impacting consumer spending and potentially demand for retail space in London. Our assessment of the risk has reduced overall following recently improved retail activities;
- the 'London attractiveness' risk has been expanded for the impacts of the macro environment, including the risk of recession, driven by factors such as geopolitical tensions, supply chain disruption and inflationary pressures, potentially impacting London's appeal;
- the 'Failure to profitably deliver the development programme' risk description has also been updated to expressly reference the heightened risks arising from supply chain disruption and inflation;

Net risk heatmap

Principal risk

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



Risk severity

Low Medium High Very high (1) **Net risk rating** as assessed after existing controls and mitigation

- our inclusive culture is considered an important factor in GPE being able to develop and deliver its evolving business plan, and this has now been reflected in our 'People' risk. As variable pay outcomes have reduced in uncertain markets, this has caused our 'People' risk to increase over the year; and
- the 'Poor capital allocation decisions' risk now captures the risk of over-allocating capital expenditure to upgrade buildings to meet minimum energy efficiency standards in place of alternative asset strategies, along with the risk of over-paying for assets in volatile markets.

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 68 to 77. The risks are not set out in priority order. The likelihood and impact of each principal risk is assessed on a gross, net (taking account of the Group's existing controls and mitigations) and target risk basis (to determine whether the net risk position is within the Board's appetite level). The net risk assessment for each principal risk is shown on the heatmap on page 66.

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

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

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

Our focus during the year

In light of market disruptions 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:

	See more
GPE's response to the pandemic to mitigate risks throughout our business, including in respect of employees, operations, customers, suppliers and the development programme;	on pages 17, 31, 53, 57, 58 and 61
The completion of our developments at 1 Newman Street & 70/88 Oxford Street, W1, the progress of our development at 50 Finsbury Square, EC2 and the approval and commencement of enabling works at 2 Aldermanbury Square, EC2;	on pages 23 to 25
The development planning and planning status of our near-term schemes at New City Court, SE1, Minerva House, SE1 and French Railways House and 50 Jermyn Street, SW1;	on pages 24 and 25
The continued leasing activity across our portfolio, including lettings achieved at Hanover Square, W1, 1 Newman Street, W1 and the pre-let at 50 Finsbury Square, EC2;	on pages 27 and 28
Continuing to crystallise profits through the sale of 160 Old Street, EC1 for £181.5 million (our share £90.8 million) while continuing to assess our individual asset strategies;	on page 29
Enhancing the debt maturity profile of the Group by extending the maturity of £400 million of its £450 million unsecured revolving credit facility to January 2027;	on page 158
Given our risks of 'Failing to maximise returns from prevailing market conditions' and 'Meeting customer needs', further developing and rolling out our Flex offer, including at 16 Dufour's Place, W1, augmenting our Flex office offer with the acquisition of 7/15 Gresse Street, W1, and developing our Customer first approach;	on pages 19, 27, 28, 56 and 57
Further implementing market-leading technology solutions across our portfolio, including our sesame® app. The Board also approved our new one-year Innovation Strategy;	on pages 08, 10, 16, 39, 44, 57 and 82
Recruitment, succession planning and talent development to ensure that GPE has the skills, capabilities and diversity required to execute its evolving strategy;	on pages 54, 55, 102 and 103
Progressing our diversity and inclusion objectives and approving our People Plan;	on pages 54, 55 and 103
Overseeing progress against GPE's Sustainability Statement of Intent and Roadmap to Net Zero along with actions to quantify and mitigate the impacts of new minimum energy efficiency rating requirements;	on pages 37 to 55 and 59
Implementing our Health and Safety Strategy and strengthening our procedures across the portfolio;	on pages 61 and 77
Continued focus on our cyber governance both at head office and in relation to IT equipment across our portfolio.	on pages 77 and 110

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
Meeting customer 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 customer needs, including potential longer-term structural changes in working practices, accelerated by the COVID-19 pandemic, that change the level and nature of demand for space in central London. This could lead to GPE failing to deliver space and lease terms that customers want and/or an inappropriate mix of flex versus traditional space, resulting in poor investment returns, potentially stranded assets and losing customers to competitors.	1 Progress sustainability agenda 2 Drive innovation and change 3 Deliver on our Flex ambition 4 Embed our Customer first approach 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Quarterly review of individual property business plans and the market more generally. – Portfolio Management, Leasing and Flex quarterly updates to the Executive Committee with reporting at scheduled Board meetings. – Board and management review of GPE's flexible space offer across the portfolio, including broadening our product offering. – The Group's in-house Occupier and Property Services teams have proactive engagement with customers to understand their occupational needs and requirements with a focus on retaining income, including through meetings and regular customer surveys which help us track our Net Promoter Score. Executive Committee members meet with our top 20 customers at least annually. – Working with potential customers to address their needs and aspirations during the planning application and design stages of developments. – Board and management oversight of the development and implementation of our Innovation Strategy and related initiatives. – Design (supported by a specialist fit-out team) and innovation activities in the areas of sustainability, technology, wellbeing and experience. – Board and management oversight of the development of our Customer first approach. – Board annual strategy review, including market updates received from third parties.	– No change	In an environment in which our customer needs are evolving rapidly, our close relationship with our customers is vital to our success. To ensure we are delivering the spaces our customers want, we are developing our Customer first approach with the aim of embedding this across our business operations. This has included, amongst other things, the refresh of the GPE brand, the appointment of Steven Mew as our Customer Experience & Flex Director and the restructuring of roles and teams to support and enhance the delivery of our market-leading Customer first approach. Testament to our approach, we had a record leasing year, completing 65 new lettings and securing £38.5 million of rent at a 9.8% premium to March 2021 ERVs, whilst continuing the successful roll-out of our flexible space offering. Over the past 12 months, we have continued to develop our flexible office spaces, including further roll-out of our Fully Managed offer following the successful leasing programme at 16 Dufour's Place, W1. Looking forward, we have a significant ambition to grow our Flex office offering to more than 600,000 sq ft within our existing portfolio and we will also look to supplement this growth through acquisitions. We continue to design and innovate in the areas of sustainability, technology, wellbeing and service provision to meet evolving customer needs. We were very encouraged by this year's independent customer satisfaction survey which updated our understanding of how our customers view their buildings and the services we provide. Encouragingly, our Net Promoter Score remained high at +27.8, which placed us in the upper quartile of our London office peer group.
Retail market uncertainties				
Market uncertainties following a structural shift in the retail industry, accelerated by the COVID-19 pandemic and compounded by the impact of inflation and higher interest rates on consumer spending, force changes to leasing requirements and structures (e.g. turnover rents or shorter lease terms) and/or reduce the demand for, or profitability of retail space in central London. This increases vacancy and 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 customers to understand their occupational needs 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 customer 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. – Board annual strategy review, including market updates received from third parties.	V Decreased	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. Retail space comprises 20% of our portfolio by value. Through the pandemic, UK retail has suffered from a combination of lower retail sales and an accelerated structural shift as increasing volumes of sales move online. Central London retail has been impacted as tourists have been absent and consumers have avoided busy locations during the pandemic, particularly where reliant on public transport. As the pandemic has abated, retail market uncertainties remain and the full impact of rising inflation, and interest rates, remains unclear. However, levels of footfall on London's key retail streets have recovered in recent months, and in some cases are back to near pre-pandemic levels. These improved conditions have slowed the decline in retail rental and capital values and have increased transactional activity over the year, supporting a reduction in our overall net risk assessment for this risk at the current time. Our current focus is on leasing the retail space in our developments at 70/88 Oxford Street, 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. 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/materials and potentially the pricing of carbon. Failure to meet the climate challenge could impact our ability to raise capital, deliver buildings, reduce the demand for the buildings we own, cause significant reputational damage and result in exposure to environmental activism and potentially stranded assets.	1 Progress sustainability agenda 2 Drive innovation and change 4 Embed our Customer first approach 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 the 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 with embodied carbon targets established and approved by the Board. Decarbonisation Fund established to support energy efficiency retrofitting in existing buildings. – ESG-linked RCF and annual bonus measures for Executive Committee members to support delivery of decarbonisation within the business. – Programme of ESG investor engagement in place, with regular review of reporting requirements and participation in investor indices. – Steering group to assess, manage and monitor EPC risks across the portfolio both to estimate compliance costs and to inform our buy, hold and sell strategy and decisions. – Participation in industry bodies to influence policy and drive innovation.	– No change	With the built environment contributing approximately 40% of the UK's carbon footprint and the climate change debate being both a moral and economic imperative, particularly for our customers and other stakeholders, we have been further expanding our sustainability commitments and activities. Our Sustainability Statement of Intent 'The Time is Now', and our Roadmap to Net Zero, set out how we will address the first pillar of the statement to decarbonise our business to become net zero carbon by 2030. In July 2021, we published a Sustainable Finance Framework in respect of potential future debt issuance, to finance projects that have positive environmental and/or social impact. This builds on our ESG-linked revolving credit facility which includes targets to reduce embodied carbon from our new developments and major refurbishments by 40% and to improve biodiversity net gain across our portfolio by 25%, in each case by 2030. The rate of interest we pay on this facility will depend on our performance against these targets. Furthermore, sustainability targets have been included within the objectives of many of our senior executives and are being used to assess levels of remuneration. Good progress has been made against the 2021/22 annual targets, as set out on pages 38 to 44. 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, during the year we compiled individual asset plans to proactively improve our EPC ratings to meet government and broader stakeholder expectations, to assess potential exposures (we estimate that the investment required to upgrade our existing buildings to the new minimum EPC B rating is circa £20 million) and inform our hold/sell strategies. Furthermore, we expect the sustainability challenge to provide us with potential opportunities to acquire orphaned assets needing a sustainability solution. For further details of how we are innovating to develop sustainable spaces, see pages 26 and 37 to 44.

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
Pandemic				
COVID-19 potential new variants 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 customers' 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.	1 Progress sustainability agenda 2 Drive innovation and change 3 Deliver on our Flex ambition 4 Embed our Customer first approach 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Business Continuity Plans and IT Business Continuity Plans in place. – Pandemic Response Committee to manage and report on risks and concerns. Its work has now been transitioned to our Hybrid|GPE Committee to focus on the return to the office and hybrid working, but will be reinstated as required. – Monitoring of impacts and developments by the Board and Executive Committee. Risk assessments undertaken as control measures change. – Stakeholder engagement mechanisms, particularly with customers, contractors, shareholders and employees. – Health and safety plans to support employees, customers and contractors through a lockdown and return to work, and to keep buildings safe and open. – Health and wellbeing programme in place to support employees' physical and mental health. – The Group aims to maintain a consistent policy of low financial leverage. – Selection of contractors and suppliers based on creditworthiness.	Decreased	The COVID-19 pandemic brought disruption and challenges to the global economy, our markets and operations. The closure of offices and shops, and reduced tourism, increased customer failures, impacted rent collection and reduced customer demand and property valuations. The impact of COVID-19 has abated due to the successful vaccination programme and, as a result, we have downgraded our 'Pandemic' net risk assessment. 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 including our extensive engagement with all our stakeholders to offer appropriate support and to prioritise the safety and wellbeing of our employees, customers and contractors. All our office properties have remained open throughout the year, operating to government guidelines.
Macro environment and London attractiveness				
The appeal of London real estate to customers and investors diminishes due to macro-economic conditions, including the risk of a recession driven by events such as geopolitical tensions, challenging international trading relationships, supply chain disruption, lower GDP forecasts, inflationary pressures, increasing interest rates, energy prices and/or rising costs of living. London's relative appeal may also be impacted by reduced appetite to travel to, work and shop in London following COVID-19, changes in government policies, 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 results in reduced international capital flows into London leading to a lack of investment and/or capital flight, lower leasing demand as businesses defer decisions or are unwilling to commit to new space, decreasing income, asset values and development viability.	2 Drive innovation and change 3 Deliver on our Flex ambition 4 Embed our Customer first approach 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Board annual strategy review with regular economic and market updates received from third parties. – Strategic financial forecasts are updated prior to each Board meeting with scenario planning for different economic cycles and eventualities. – Regular review of strategic priorities and transactions in light of the Group's dashboard of lead indicators and operational parameters. – Key London indicators are monitored to help inform GPE's view of London's recovery following COVID-19. – The impact of international trading relationships, supply chain disruption and geopolitical issues continue 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. 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 customers 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 due to its combination of relative value, strong legal system, time zone advantages, international connectivity and a welcoming attitude to global businesses. Whilst we continue to monitor the fading impact of COVID-19, the outlook for macro-economic conditions in London remains unclear, including the risk a recession driven by factors such as the UK's global trading relationships, the impact of geopolitical tensions, supply chain disruption, lower GDP forecasts, inflationary pressures, increasing interest rates and rising costs of living. However, London is resilient and has a long history of reinvention and innovation, and we anticipate that London's 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, including the impact of significantly higher interest rates, reduces asset values and curtails income which increases GPE's financial leverage and results in our breaching banking covenants.	2 Drive innovation and change 3 Deliver on our Flex ambition 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. Sustainable Finance Framework introduced in respect of potential future debt issuance. – 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.	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 2022, our property LTV was 20.5%, net gearing was 25.4% and interest cover was 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 Group also has significant financial capacity with liquidity of £391 million, comprising cash of £28 million and undrawn committed facilities of £363 million. During the year, we enhanced the debt maturity profile of the Group by extending the maturity of £400 million of its £450 million unsecured revolving credit facility to January 2027. In addition, the Group's weighted average interest rate remains low at only 2.5% (falling to 2.1% on a fully drawn basis), with an attractive debt maturity ladder and diverse funding sources, predominantly borrowing on an unsecured basis.

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 maximise returns from prevailing market conditions				
We fail to adequately read market conditions and respond accordingly. This results 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 Deliver on our Flex ambition 4 Embed our Customer first approach 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Strategic financial forecasts are updated prior to each 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 continued economic uncertainties, the Group has been active in its key markets and has completed its development scheme at 1 Newman Street & 70/88 Oxford Street, W1 and we anticipate the completion of our substantial repositioning of 50 Finsbury Square, EC2 later this year. We also commenced the enabling works at 2 Aldermanbury Square, EC2. 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. During the year, we crystallised our development returns on the sale of 160 Old Street, EC2 and purchased 7/15 Gresse Street, W1 to augment our growing Flex offer, further supplemented by our recent acquisition of 6/10 St Andrew Street, EC4. We expect further acquisition opportunities to emerge over the coming year.
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 (including of supply chain disruption and the impact of inflation), 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 customer needs (including sustainability expectations). This results in reduced development activity, weak leasing performance, reputational damage and reducing property returns.	1 Progress sustainability agenda 2 Drive innovation and change 4 Embed our Customer first approach 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. – Regular meetings with key cost advisers, main contractors and subcontractors to monitor market conditions. Procurement routes and when to fix prices kept under close review. – Prior to committing to a development, the Group conducts a detailed financial and operational appraisal process which evaluates the expected returns from a development in light of likely risks. During the course of a development, the actual costs and estimated returns are regularly monitored to signpost prompt decisions on project management, leasing and ownership. – Working with stakeholders, including agents, potential customers and purchasers, to identify and address their needs and aspirations, including in respect of safety, sustainability, wellbeing and technology during the planning application and design stages. – Regular 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 one committed scheme on-site, 50 Finsbury Square, EC2, set to deliver 129,200 sq ft of high quality space, and targeting BREEAM 'Excellent'. The office element of the building is 100% pre-let, and due for completion later this year. Beyond this, the Group is preparing a further seven schemes set to deliver more than 1.1 million sq ft across the coming decade, which are being designed to meet the highest standards of sustainable design, embrace technology and provide a variety of adaptable and flexible working environments. At our most recently completed development at 1 Newman Street & 70/88 Oxford Street, W1, office leasing in the period was strong, with only one office floor remaining as detailed on page 23. However, given recent challenges in the retail market, on completion of the scheme it delivered a loss on cost. Today, we have good interest in both the remaining office floor and the majority of the retail space and, as such, we expect the scheme's financial performance to improve as the retail environment recovers. Given the inflationary backdrop, we continue to monitor construction pricing, and the resilience of supply chains, and we are working closely with our suppliers to mitigate this risk as we embark on the development of 2 Aldermanbury Square, EC2. See more on pages 23 to 26

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
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. – The Head of Planning Strategy leads a holistic approach to planning across the portfolio. – Sustainable building design, including climate change mitigation and adaptation and growing preferences to reuse and refurbish buildings, is considered at an early design stage. All our major developments are subject to a minimum BREEAM rating requirement of 'Excellent'.	No change	To successfully deliver our developments, we work closely with both local authorities and communities to secure planning consents to create great new sustainable spaces, helping London to thrive. The London Plan includes a number of further challenging requirements. Moreover, our substantial and flexible pipeline of seven uncommitted schemes totals 1.1 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 Impact Strategy, as a matter of course, we liaise with community stakeholders to understand their needs and, where possible, we will adjust our proposals to take account of comments received. We use planning performance agreements with the local planning authority to ensure that our planning applications are determined in a timely manner. Moreover, sustainability is becoming ever more important in the planning process with key local authorities declaring climate emergencies. We will look to work with them to support their principles of 'good growth' and continue to evolve our strategies for reducing the carbon footprint of our development activities. See more on pages 23 to 26
People				
Failure to attract, incentivise and retain high quality, suitably diverse and experienced individuals negatively impacts our ability to deliver our strategic objectives and has a detrimental impact on our values and inclusive culture.	1 Progress sustainability agenda 2 Drive innovation and change 3 Deliver on our Flex ambition 4 Embed our Customer first approach 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Regular review is undertaken of the Group's resourcing requirements, performance management, talent review and succession planning. – The Group has a competitive and attractive employee value proposition that is strongly linked to performance and values and a formal six-monthly appraisal system to provide regular assessment of individual performance. – Regular benchmarking of remuneration packages to ensure competitive financial and non-financial packages in line with market rates. – Personal development planning and ongoing training support for employees together with focused initiatives to nurture potential successors, including mentoring and coaching programmes. – Clear articulation of GPE values and behaviours which are embedded in key people practices with Board and management monitoring of culture. – Board and Nomination Committee oversight of our diversity and inclusion strategy. New People Plan in place linked to GPE's purpose and strategy with a strong focus on diversity and inclusion. – Comprehensive health and wellbeing programme to support employees' physical and mental health, including mental health first aiders. – Hybrid Working Policy to give employees appropriate flexibility to perform their roles. – Focus on people engagement with regular two-way communication and responsive employee-focused activities.	Increased	The motivation of our people and maintaining our strong inclusive culture remains fundamental to the delivery of our strategic priorities. The strength of our values and appeal of our culture was highlighted with our most recent employee pulse survey showing 86% of our people would 'recommend GPE as a great place to work'. We continue to develop our talent from within including making several internal promotions to our Senior Management Team. We also continue to build our skills and capabilities to support the delivery of our 'Customer first' approach. We continue to progress our diversity and inclusion strategy which forms an integral part of our new People Plan. During the year we established an Inclusion Committee to oversee the implementation of initiatives and have set clear priorities for the Executive Committee with the incorporation of specific diversity and inclusion targets within their annual bonus objectives. The physical and mental wellbeing of our people has been a key priority as we transition to increased flexible working. We seek to be a caring and supportive employer with a comprehensive Wellbeing Programme to support physical and mental health with a focus on de-stigmatising the reality of mental health challenges. We have trained mental health first aiders and have introduced innovative tools to support the mental health of our employees and family members. We have continued our Board Engagement Programme to enable the Board to listen and respond to feedback from employees and to discuss important matters impacting the business. We continue to focus on growing the breadth, depth and diversity of our talent, providing focused development support where needed in an inclusive environment. While our employee retention rate for the year was high at 82%, we are cognisant of the potential impact of lower variable pay outcomes on retention in uncertain markets which has resulted in an increase in our overall net risk assessment of our 'People' risk. Retention and incentivisation remain important areas of focus under our People Plan.
Poor capital allocation decisions				
We make poor decisions regarding the allocation of capital such that we buy, sell, hold or develop (including retrofitting to meet minimum energy efficiency standards) the incorrect buildings, or do so at inappropriate cost, resulting in inadequate investment returns.	1 Progress sustainability agenda 2 Drive innovation and change 3 Deliver on our Flex ambition 4 Embed our Customer first approach 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, Flex, Development and Leasing quarterly updates to the Executive Committee with reporting at scheduled Board meetings. – 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.	No change	We continue to assess potential acquisition opportunities across central London and regularly review the forward-look performance of our portfolio to maximise returns. During the year, we crystallised our development profit on the sale of 160 Old Street, EC2 and purchased 7/15 Gresse Street, W1 to augment our growing Flex offer, further supplemented by our recent acquisition of 6/10 St Andrew Street, EC4. We expect further acquisition opportunities to emerge over the coming year. During the year, we established a steering group to assess, manage and monitor EPC risks across the portfolio, both to estimate compliance costs and to inform our buy, hold and sell strategy and decisions. We also commenced the enabling works at 2 Aldermanbury Square, EC2.

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 or 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 increases compliance and development costs and/or risks of non-compliance.	1 Progress sustainability agenda 2 Drive innovation and change 4 Embed our Customer first approach 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Quarterly Health and Safety Committee meetings are held with formal quarterly reporting on health and safety to the Executive Committee and regular reporting to the Board, including on progress against our Health and Safety Strategy. – Regular health and safety site checks are undertaken by Executive Committee members, the Development and Project Management teams and third parties, along with regular senior leadership tours of buildings. – Pre-qualification and competency checks are undertaken for contractors and consultants with contractor management processes in place. – Formal reporting on near misses/significant incidents and accidents. – Proactive health and safety KPIs to monitor and track performance and drive behaviours. – Annual 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, we kept our buildings open and safe for access by our customers and employees and those needing to complete any works, including maintaining all COVID-19 recommended protocols when needed. We continued with enhanced cleaning, air quality monitoring and introduced additional water flushing regimes. Critically, notwithstanding COVID-19, all our buildings remained open and all statutory inspections and risk assessments were completed within the allocated timeframe. With the forthcoming introduction of the Fire Safety Act, we have proactively strengthened our fire safety practices and procedures to meet the new requirements and developed up-to-date and compliant fire strategies for every building. The Group had two 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 and have improved the monitoring of health and safety across the portfolio through the introduction of a set of proactive key performance indicators. In our most recent employee pulse survey, 95% of respondents agreed or strongly agreed that the organisation takes health and safety seriously.
Cyber security and infrastructure failure				
A cyber attack or infrastructure failure leads to business or network disruption within our portfolio or loss of information or customer data. There is the potential for greater impact on Fully Managed customers, to which we provide increased infrastructure support, and high-risk customers. This results in litigation, reputational damage, financial or regulatory penalties.	1 Progress sustainability agenda 2 Drive innovation and change 3 Deliver on our Flex ambition 4 Embed our Customer first approach 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 which oversee the implementation of our three-year IT strategy adopted in March 2021. – Cyber security systems and controls are in place and regularly reviewed, with external support, against best practice. – A head office and portfolio IT risk register is maintained. – The Group's IT Disaster Recovery Plan is regularly reviewed and tested and recovery of data at an off-site recovery centre is tested during the year. – Regular testing of IT security is undertaken including penetration testing of key systems. – The Group's data is regularly backed up and replicated. – The Group's Cyber Third Party Management and Security Policy and processes are designed to identify and control cyber-related risks arising from our third-party relationships. – Employee awareness training on cyber risk is undertaken regularly. – Cyber risk insurance is in place. – Each building has a bespoke Emergency Action Plan, maintaining appropriate systems to mitigate any infrastructure failure.	No change	Cyber security risk has remained elevated due to the rise in attempted cyber crime during the COVID-19 pandemic and more recent cyber risks arising from recent geopolitical tensions, combined with greater reliance on technology and increased vulnerabilities created by remote and hybrid working. We have continued to invest time and resource into our cyber security measures, both in our head office and across our portfolio. Our three-year IT Strategy is designed in part to further enhance our IT and cyber controls as we continue to innovate and digitise our business.
Flex operational capabilities and service provision				
The failure to maximise operational expertise and efficiencies or to appropriately control costs impacts the delivery of our Flex office strategy and our ability to generate appropriate risk adjusted returns. Further, as we scale up our Flex office delivery and increase our focus on service provision, the failure by GPE and/or its partners/suppliers to deliver high quality service impacts customer satisfaction, demand, retention and asset values.	1 Progress sustainability agenda 2 Drive innovation and change 3 Deliver on our Flex ambition 4 Embed our Customer first approach 5 Deliver and lease the committed schemes 6 Prepare the pipeline	– Board and management oversight of the development and implementation of the Flex strategy and business plan. – Board annual strategy review with regular market updates. – Quarterly Flex updates to the Executive Committee with reporting at scheduled Board meetings. – Dedicated Flex leadership in place from March 2022 with regular review of team skills and capabilities to support the effective delivery of customer service and experience. – Board and management oversight of the development of our Customer first approach. – Dedicated team within the Group's in-house Occupier and Property Services teams with a focus on proactive engagement, including through meetings and regular customer surveys, to ensure customers' occupational needs are met. – Quarterly review of individual assets plans and the market generally. – Close management oversight of costs and services, including design and delivery. – Design (supported by a specialist fit-out team) and innovation activities in the areas of sustainability, technology, wellbeing and experience. – Board and management oversight of our Innovation Strategy and related initiatives to support customer needs.	New	As we drive our Flex strategy and scale-up our Flex operations, our ability to deliver this operationally intensive side of our business, control costs and generate appropriate risk adjusted returns has grown in significance. During the year, we appointed Steven Mew as our Customer Experience & Flex Director alongside the restructuring of roles and teams to support and enhance the delivery of our Flex operations. We have also recruited additional expertise to focus on improving procurement, design and delivery. We continue to evolve our operating model and closely monitor costs and prospective risk adjusted returns as we refine and expand the choice of spaces we provide. To date, we are very encouraged by the feedback we have had for our products, which was reflected in this year's independent customer satisfaction survey where our Net Promoter Score remained high. The ongoing development of our Customer first strategy is designed to ensure continuous feedback and provide valuable insight to help us deliver the type and quality of services our customers' demand.

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 142.

The Group's future prospects are assessed regularly and at an annual strategy review in late March. This review is led by the Chief Executive drawing on expertise across the Group. This year it included an assessment of macro-economic environment including London's recovery from COVID-19, 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 further disruption from current geopolitical tensions, and a number of business activity responses including development activity, sales and acquisitions.

The key outputs from this process are full financial statements for a five-year forecast 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 March 2022, 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 continued conversion of some of our office space to our Flex offerings;
- the refinancing of the Group's debt facilities as they fall due in 2024 as disclosed in note 15;
- estimated cash collection rates based on a customer by customer 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 68 to 77 above):

- **Macro environment and London attractiveness:** we rely on London's macro-economic strength and relative appeal to continue to attract global capital, businesses and talent from around the world to support demand for our properties;
- **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, an average lease length of around three years and a near-term development programme which will be commenced over the same period.

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 geopolitical tensions, high inflationary environment and rising interest rates, our assessment of viability was based on the 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 rental values by 27% from March values and assumed an outward yield shift of 140 basis points for offices and 60 basis points for retail. When combined, over the three-year period, this scenario reduced property values by around 40%. 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 scenario over the period of the financial forecast and continue to operate with headroom above the financial covenants contained in its various loan arrangements. Moreover, this was before any mitigating actions such as property sales or pausing of the Group's development activities.

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. In the three-year period, before any mitigating actions, rental income would need to fall by around 42% and property values would need to fall by more than 41%, or 45% if we were not to proceed with the redevelopment of 2 Aldermanbury Square, reducing capital expenditure by around £250 million, before the Group breached its banking covenants.

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 significant inflation (an additional £83 million) 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 2025.