

Risk management

The Group views effective risk management as integral to the delivering of superior returns to shareholders. Principal risks and uncertainties facing the business and the processes in place by which the Company aims to manage those risks are:

Risk	Mitigation	Commentary
Market risk Property markets are cyclical. Performance depends on general economic conditions, a combination of supply and demand for floor space as well as overall return aspirations of investors.	Research into the economy and the investment and occupational markets is evaluated as part of the Group's annual strategy process covering the key areas of investment, development and asset management and updated regularly throughout the year. 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 estimated returns are regularly monitored to allow prompt decisions on leasing and ownership to be determined. Pro-active management of tenants to ensure changing needs are met. The Group's rents remain low by comparison to the market.	Our market pages 16 and 17. Development pages 20 and 21
The impact of changes in legislation particularly in respect of environmental legislation and planning regulations.	Through the use of experienced advisers and direct contact, senior Group representatives spend considerable time ensuring that buildings are maintained and refurbished or redeveloped in line with current regulations and changing tenant demands including, for example, changing environmental legislation requirements in the most cost effective manner.	Development pages 20 and 21. Environment and the portfolio pages 33 and 34.
Development Failure to obtain or delays in gaining planning consents.	Planning applications are proactively managed. The Company monitors changes in planning legislation and has strong relationships with planning authorities and consultants.	Development pages 20 and 21.
Construction cost inflation.	Specialist advisers are used to forecast both labour and construction costs. Procurement strategies are employed to mitigate this risk as far as possible. Detailed appraisals are produced at key stages of the development process to ensure that decisions are based on up-to-date forecasts.	Development pages 20 and 21.
Letting risk.	Market analysis including a good understanding of tenants' requirements which influence building design and sensitivities are included within the development appraisals. The Company has resource dedicated to the letting of the developments supported by a strong network of specialist leasing agents.	Development pages 20 and 21. Case study pages 6 and 7.
Investment Difficulty in sourcing investment opportunities at attractive prices.	The Company has dedicated resources whose remit is to constantly research each of the sub-markets within central London seeking the right balance of investment and development opportunities suitable for current and anticipated market conditions.	Capital recycling pages 24 and 25. Case studies pages 12 and 13, and pages 14 and 15
Portfolio returns impaired by inappropriate recycling of capital.	Business plans are produced on an individual asset basis to ensure the appropriate churn of those buildings with relative limited potential performance.	Capital recycling pages 24 and 25. Case studies pages 10 and 11, and pages 14 and 15
Attracting and retaining the right people Achieving the Company's aims requires people of the highest calibre.	The Company has a remuneration system that is strongly linked to performance and a formal appraisal system to provide regular assessment of individual performance and the identification of training needs.	Our people page 30.
Reputation Health & Safety and Environment ("HSE").	The Company has dedicated HSE personnel to oversee the Company's HSE Management Systems including regular risk assessments and annual audits to proactively address key HSE areas including energy usage and employee, contractor and tenant safety.	Environment and the portfolio pages 33 and 34. Health and safety pages 35 and 36.
Financial risks Liquidity risk.	Cash flow and funding needs are regularly monitored to ensure sufficient undrawn facilities are in place. Funding maturities are managed across the short-, medium- and long-term. The Group's funding measures are diversified across a range of bank and market bonds. Strict counterparty limits are operated on deposits.	Our financial position pages 26 to 29. Note 14 forming part of the Group financial statements pages 69 to 71.
Adverse interest rate movements.	Formal policy to manage interest rates.	Our financial position pages 26 to 29. Note 14 forming part of the Group financial statements pages 69 to 71.
Breach of borrowing covenants.	Financial ratios are monitored and regularly reported to the Board.	Our financial position pages 26 to 29. Note 14 forming part of the Group financial statements pages 69 to 71.
Non compliance with REIT regulations.	The Group's accounts and forecast financial measures are regularly compared to REIT limits and reported to the Board.	Our financial position pages 26 to 29.