

COVID-19 RISK ASSESSMENT



We have set out below the principle risks to our business related to the lasting impact of the Covid-19 pandemic and how we are mitigating these.

Business risk	Mitigating factor/response	Changes
<p>Behavioural shift reducing demand for space: low confidence affecting purchasing power of businesses and individuals.</p>	<ul style="list-style-type: none"> • Continue to see demand across our portfolio, albeit decisions were slower during the pandemic; we sold all our homes in Bromley. • Demand will always be high for quality schemes suited to the local catchment and near talent hubs. • Covid-19 expected to increase appetite for new space that is spacious, agile and offers something extra. • Consumer confidence returning as economy re-opens; purchasing power for many enhanced. • We start discussions early to pre-sell or pre-lease some stock at our development sites, giving us visibility. 	<p>Greater focus on pre-letting or selling stock and closer collaboration with potential purchasers around individual financial circumstances.</p>
<p>Access to capital: delays in securing third-party funding.</p>	<ul style="list-style-type: none"> • Covid-19 has led to pent-up capital; the UK remains an attractive financial centre. • Increased commitment and reporting on our ESG agenda supportive of third party capital's expectations and requirements. • Demand for long-term secure income streams is strengthening the appetite for 'diverse' real estate assets. 	<p>Discussions with wider pool of capital, to provide additional routes to funding.</p>



	<ul style="list-style-type: none"> • Low interest rates ensure real estate remains attractive, with low stock increasing competition for core assets of the future 	
<p>Reduced cash due to project delays: macro factors, development management fee delays, slow third-party decision-making and late tenant rent payments reducing U+I's cash position.</p>	<ul style="list-style-type: none"> • Enhanced liquidity, reduced costs and simplified approach give confidence in our financial strength. • Acceleration of disposals programme expected to deliver proceeds of c.£130 million by FY2022. • Efficiencies programme reduces gross recurring overheads to £12 million in FY2023; a 43% reduction in three years, further strengthening the cash position. • Simplified regeneration model, will deliver a more consistent flow of development management fees and development profits by increasing our capacity to build out elements of our regeneration schemes ourselves or with third party capital. • Targeting a reduction in balance sheet gearing to 25-35% by FY2022. 	<p>Create an even greater cash buffer to ensure sufficient reserves in more challenging market backdrops.</p>
<p>Planning delays: backlog and remote working leading to deferment of planning consultations and committees delaying project progress and monetisation.</p>	<ul style="list-style-type: none"> • Virtual planning consultations and committees are now well established and working efficiently, leading to greater decision-making by councils who understand the urgency for our schemes to revitalise local communities. • Changes in policy aimed to stimulate growth and drive forward the Government's "Build, 	<p>Clear criteria to assess all potential risks across our schemes' lifecycles; greater contingency for planning delays incorporated in internal timelines.</p> <p>Many of our schemes are at different stages or multi-phase minimising exposure</p>



	<p>Build, Build” agenda.</p> <ul style="list-style-type: none"> • Close engagement with all stakeholders from the outset to create relevant schemes that communities support – and a focused Planning Director and a Director of Development with expertise in navigating complex planning procedures – ensure we have an excellent track record of planning success. 	<p>to planning on overall profitability. We have over 6 million sq.ft. of shovel ready schemes.</p>
<p>Construction delays: delays to project progress / monetisation following Covid-19 site closures and restrictions.</p>	<ul style="list-style-type: none"> • Adapted measures and working practices in place across our sites to ensure construction has been able to continue safely and in compliance with any local or national restrictions. • Productivity increasing and work progressing well at sites. Plus X completed in June 2020; work started on site at Mayfield in December 2020 – both during the Covid-19 pandemic. • Urgent need for homes and mixed-use schemes means construction is an essential service. • Prioritising schemes where planning has been achieved and there are milestones to monetisation. 	<p>Established good working relationships with third parties to manage risk.</p> <p>Clearer roadmap to agree strategy and acceleration processes internally and with third parties in the instance of future site closures or social distance working to ensure minimal disruption.</p>
<p>Reduced new business opportunities: challenges in strengthening development and trading pipeline.</p>	<ul style="list-style-type: none"> • Disruption presents opportunity for undervalued acquisitions with strong potential for value creation. • Focused new business approach and widened 	<p>Widened team responsibility, accountability and incentivisation for new business generation to ensure access to new opportunities.</p>



	<p>capital partner discussions to build scale.</p> <ul style="list-style-type: none"> • Structural demand for mixed-use schemes remains; we have a strong existing pipeline to deliver, with short and long-term gains visibility, supporting delivery of our financial targets. 	<p>Increased focus on nurturing trusted relationships supports access to public and private opportunities.</p>
<p>Retail exposure: closure of assets within the investment portfolio and related rental and capital declines.</p>	<ul style="list-style-type: none"> • Vaccination rollout and Government support measures should reduce future lockdowns and long-term retail closures. • Accelerated transition of the investment portfolio away from retail-led convenience assets into a regeneration portfolio focused on total returns. This includes further disposals of underperforming retail assets. • Could withstand a further decline in capital values of c.25% before requiring renegotiation of LTV covenants. • Opportunity for alternate uses limits the impact of tenant failure. 	<p>Clear set of risk, return, value criteria to assess all existing and future assets, supports greater diversification and a clear roadmap for disposal of non-core assets.</p> <p>Formation of a working group to scenario plan for future events that could trigger closure of assets across the portfolio.</p>
<p>Occupier rent payments: withdrawal or late payment of rent by cashflow constrained tenants.</p>	<ul style="list-style-type: none"> • Disposals programme reduces exposure to 'riskier' assets. • Ongoing dialogue with individual tenants to agree payment plans. • Occupancy remains high. Improved collection expected as shops reopen. 	<p>More regular engagement in place with tenants to discuss their individual needs.</p> <p>Earlier one on one discussions with tenants to agree rent payment programmes.</p>