

OUR PRINCIPAL RISKS

The principal risks faced by the Group, and the steps taken by the Group to mitigate these risks, are as follows:

STRATEGIC RISKS

Strategic risks are external risks that could prevent the Group delivering its strategy. These risks principally impact our decision to purchase or exit from a property asset.

The Group's strategy is inconsistent with the market

[Link to strategy](#)

① Growth

Risk description

Changing market conditions could hinder the Group's ability to buy and sell properties envisioned in its strategy. The location, size and mix of properties in Helical's portfolio determine the impact of the risk.

If the Group's chosen markets underperform, the impact on the Group's liquidity, investment property revaluations and rental income is greater.

Mitigation/action

Management constantly monitors the market and makes changes to the Group's strategy in light of market conditions. The Group conducts an annual strategic review and maintains rolling forecasts with inbuilt sensitivity to model anticipated economic conditions.

The Group's management team is highly experienced and has a strong track record of understanding the property market.

Due to the Group's small management team, strategic change can be implemented quickly.

The Group carries out significant development projects

[Link to strategy](#)

② Property

Risk description

The Group carries out significant development projects over a number of years and is therefore exposed to fluctuations in the market and tenant demand levels over time.

Mitigation/action

Management carefully reviews the risk profile of individual developments and in some cases builds properties in several phases to minimise the Group's exposure to reduced demand for particular asset classes or geographical locations over time. The Group carries out developments in partnership with other organisations and pre-lets space to reduce development risk, where considered appropriate.

Property values decline/reduced tenant demand for space

[Link to strategy](#)

② Property

Risk description

The property portfolio is at risk of valuation falls through changes in market conditions, including underperforming sectors or locations, lack of tenant demand or general economic uncertainty.

Mitigation/action

The Group's property portfolio has tenants from diverse industries, reducing the risk of over-exposure to one sector. We carry out occupier financial covenant checks ahead of approving leases in order to limit our exposure to tenant failure.

Management reviews external data, seeks the advice of industry experts and monitors the performance of individual assets and sectors in order to dispose of non-performing assets and rebalance the portfolio to suit the changing market. Management regularly models different property revaluation scenarios through its forecasting process in order to prepare a considered approach to mitigating the potential impact.

Political risk

[Link to strategy](#)

① Growth

Risk description

There is a risk that regulatory and tax changes could adversely affect the market in which the Group operates and changes in legislation could lead to delays in receiving planning permission.

There remains uncertainty over the outcome of the United Kingdom's decision to leave the European Union. The result could adversely affect the case for investment in the UK, depressing the property investment and occupational market, negatively impacting the Group's performance.

Mitigation/action

Management seeks advice from experts to ensure it understands the political environment and the impact of emerging regulatory and tax changes on the Group. It maintains good relationships with planning consultants and local authorities. Where appropriate, management joins with industry representatives to contribute to policy and regulatory debate relevant to the industry.

FINANCIAL RISKS

Financial risks are those that could prevent the Group from funding its chosen strategy, both in the long and short term.

Availability and cost of bank borrowing and cash resources

Link to strategy

③ Financing

Risk description

The inability to roll over existing facilities or take out new borrowing could impact on the Group's ability to maintain its current portfolio and purchase new properties. The Group may forego opportunities if it does not maintain sufficient cash to take advantage of them as they arise.

The Group is at risk of increased interest rates on unhedged borrowings.

Mitigation/action

The Group maintains a good relationship with many established lending institutions and borrowings are spread across a number of these.

Funding requirements are reviewed bi-monthly by management, who seek to ensure that the maturity dates of borrowings are spread over several years.

Management monitors the cash levels of the Group on a daily basis and maintains sufficient levels of cash resources and undrawn committed bank facilities to fund opportunities as they arise.

The Group hedges the interest rates on the majority of its borrowings, effectively fixing or capping the rates over several years.

Breach of loan covenants

Link to strategy

③ Financing

Risk description

If the Group breaches debt covenants, lending institutions may require the early repayment of borrowings.

Mitigation/action

Covenants are closely monitored throughout the year. Management carries out sensitivity analyses to assess the likelihood of future breaches based on significant changes in property values or rental income.

OPERATIONAL RISKS

Operational risks are internal risks that could prevent the Group from delivering its strategy.

Employment and retention of key personnel

Link to strategy

④ People

Risk description

The Group's continued success is reliant on its management and staff and successful relationships with its joint venture partners.

Mitigation/action

The senior management team is very experienced with a high average length of service. The Nominations Committee and Board regularly review succession planning issues and remuneration is set to attract and retain high calibre staff. Staff are encouraged to undertake personal development and training courses, which the Company supports.

The Group has well established relationships with joint venture partners.

Reliance on key contractors and suppliers

Link to strategy

④ People

Risk description

The Group is dependent on the performance of its key contractors and suppliers for successful delivery of its development property assets.

Mitigation/action

The Group actively monitors its development projects and uses external project managers to provide support. Potential contractors are vetted for their quality, health and safety record and financial viability prior to engagement. Their performance is closely monitored throughout the development process, with bi-weekly reporting to management. The Group often works with contractors with whom it has previously worked successfully.

Inability to asset manage, develop and let property assets

Link to strategy

② Property

Risk description

The Group relies on external parties to support it in asset managing, developing and letting its properties, including planning consultants, architects, project managers, marketing agencies, lawyers and managing agents.

Mitigation/action

The Group has a highly experienced team managing its properties, who regularly conduct on-site reviews and monitor cash flows against budget. The Group seeks to maintain excellent relationships with its specialist professional advisors. Management actively monitors these parties to ensure they are delivering the required quality on time. Where appropriate, the Group engages parties it has worked with successfully previously.

Health and safety risk

Link to strategy

② Property

Risk description

The nature of the Group's operations and markets expose it to potential health and safety risks both internally and externally within the supply chain.

Mitigation/action

The Group reviews and updates its Health and Safety policy regularly and it is approved by the Board annually. The Group engages an external health and safety consultant to review contractor agreements prior to appointment and ensures they have appropriate policies and procedures in place, then monitors the adherence to such policies and procedures throughout the project's lifetime.

The Executive Committee reviews the report by the external consultant every month and the Board reviews them at every scheduled meeting. The internal asset managers carry out regular site visits.

Business disruption and cyber security

Link to strategy

④ People

Risk description

The Group relies on Information Technology to perform effectively and a cyber-attack could result in IT systems being unavailable, adversely affecting the Group's operations.

Commercially sensitive and personal information is electronically stored by the Group. Theft of this information could adversely impact the Group's commercial advantage and result in penalties where the information is governed by law (GDPR and Data Protection Act 2018).

The Group is at risk of being a victim of social engineering fraud.

An external event such as extreme weather, environmental incident, power shortage or terrorist attack could cause significant damage, disruption to the business or reputational damage.

Mitigation/action

The Group engages and actively manages external Information Technology experts to ensure IT systems operate effectively and that we respond to the evolving IT security environment. This includes regular off-site backups and a comprehensive disaster recovery process. The external provider also ensures the system is secure and this is subject to routine testing including bi-annual disaster recovery tests.

There is a robust control environment in place for invoice approval and payment authorisations including authorisation limits and a dual sign off requirement for large invoices and bank payments.

The Group provides training, and there are procedures in place, to identify emails of a suspicious nature ensuring these are flagged to the IT providers and employees do not open attachments or follow instructions within the email.

The Group has a disaster recovery plan, on-site security at its properties and insurance policies in place in order to deal with any external events and mitigate their impact.

REPUTATIONAL RISKS

Reputational risks are those that could affect the Group in all aspects of its strategy.

Poor management of stakeholder relations

Link to strategy

① Growth

Risk description

The Group risks suffering from reputational damage resulting in a loss of credibility with key stakeholders including Shareholders, analysts, banking institutions, contractors, managing agents, tenants, property purchasers/sellers and employees.

Mitigation/action

The Group believes that by successfully delivering its strategy and mitigating its strategic, financial and operational risks its good reputation will be protected.

The Group regularly reviews its strategy and risks to ensure it is acting in the interests of its stakeholders.

The Group maintains a strong relationship with investors and analysts through regular meetings.

Management closely monitors day-to-day business operations and the Group has a formal approval procedure for all press releases and public announcements.

A Group Disclosure Policy and Share Dealing Code, Policy & Procedures have been circulated to all staff in accordance with the EU Market Abuse Regulation (MAR).

Non-compliance with prevailing legislation, regulation and best practice

Link to strategy

① Growth

Risk description

The nature of the Group's operations and markets expose it to potential bribery and corruption risks (including money laundering and tax evasion) both internally and externally within the supply chain.

The Group is exposed to the potential risk of acquiring or disposing of a property where the owner/purchaser has been involved in criminal conduct or illicit activities.

The Group would attract criticism and negative publicity were any instances of modern slavery and human trafficking identified within its supply chain.

The Group would attract criticism and negative publicity if instances of non-compliance with GDPR and the Data Protection Act 2018 were identified. Non-compliance may also result in financial penalties.

Mitigation/action

The Group's anti-bribery and corruption and whistleblowing policies and procedures are reviewed and updated annually and projects with greater exposure to bribery and corruption are monitored closely. The Group avoids doing business in high risk territories.

The Group has related policies and procedures designed to mitigate bribery and corruption risks including; Know Your Client checks; due diligence processes; capital expenditure controls; contracts risk assessment procedures and competition and anti-trust guidance. The Group engages legal professionals to support these policies where appropriate.

All employees are required to complete anti-bribery and corruption training and to submit details of corporate hospitality and gifts received.

All property transactions are reviewed and authorised by the Executive Committee.

Our Modern Slavery Act statement, which is prominently displayed on our website, gives details of our policy and our approach.

The Group monitors its GDPR and Data Protection Act 2018 compliance to ensure appropriate safeguards, policies, procedures, contractual terms and records are implemented and maintained in accordance with the regulation.