Helical's approach to risk management

Risk is an integral part of the Group's business activities and Helical's ability to identify, assess, monitor and manage its risks is fundamental to its financial stability, continuing performance and reputation.

RISK CULTURE

When making business decisions, the Board of Helical assesses all potential risks faced and considers the effect that such risks could have on the achievement of the strategic priorities and the long-term success of the Company.

The Board acknowledges that there are numerous risks faced by the business and that these are often interrelated. However, the Board also views the potential risks as opportunities which, when handled appropriately, can drive performance. Therefore, having an effective Risk Management Framework is key to support the delivery of the Group's strategy.

The Board confirms that during this reporting period it has carried out a robust assessment of the Group's emerging and principal risks (please see Audit and Risk Committee Report, page [xx], for details of the work undertaken by the Directors during the reporting period). These risks and the Group's appetite for risk are discussed below.

RISK APPETITE

The Board has established procedures to determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. It is through the enactment of these procedures that the Company is able to set its risk appetite.

Helical's risk appetite is driven by the business strategy. The overall risk appetite is moderate to low and appropriate mitigating actions are taken to reduce the severity of identified risks into the acceptable range set by the Board. In determining the risk appetite, the Board considers upside risks as well as downside risks. Helical's risk appetite is not static and is reviewed by the Board at least twice a year.

Our appetite for risk in each principal risk category is set out below:

In accordance with good stewardship, the Board does not inhibit sensible risk taking that is critical to growth. This approach is embedded in the risk culture of the Group which is guided by the Company's Values ([see page xx]). The risk culture aligns with the strategy and objectives of the business and is embedded within the risk appetite.

ROLES & RESPONSIBILITIES

Whilst the Board is ultimately responsible for the management of risk, the Group is structured in such a way that risk identification, assessment, management and monitoring occur at all levels of the Helical team. Roles and responsibilities with respect to risk are well established and the close working relationships existing between senior management and our Property Executives enhance our ability to manage our risks.

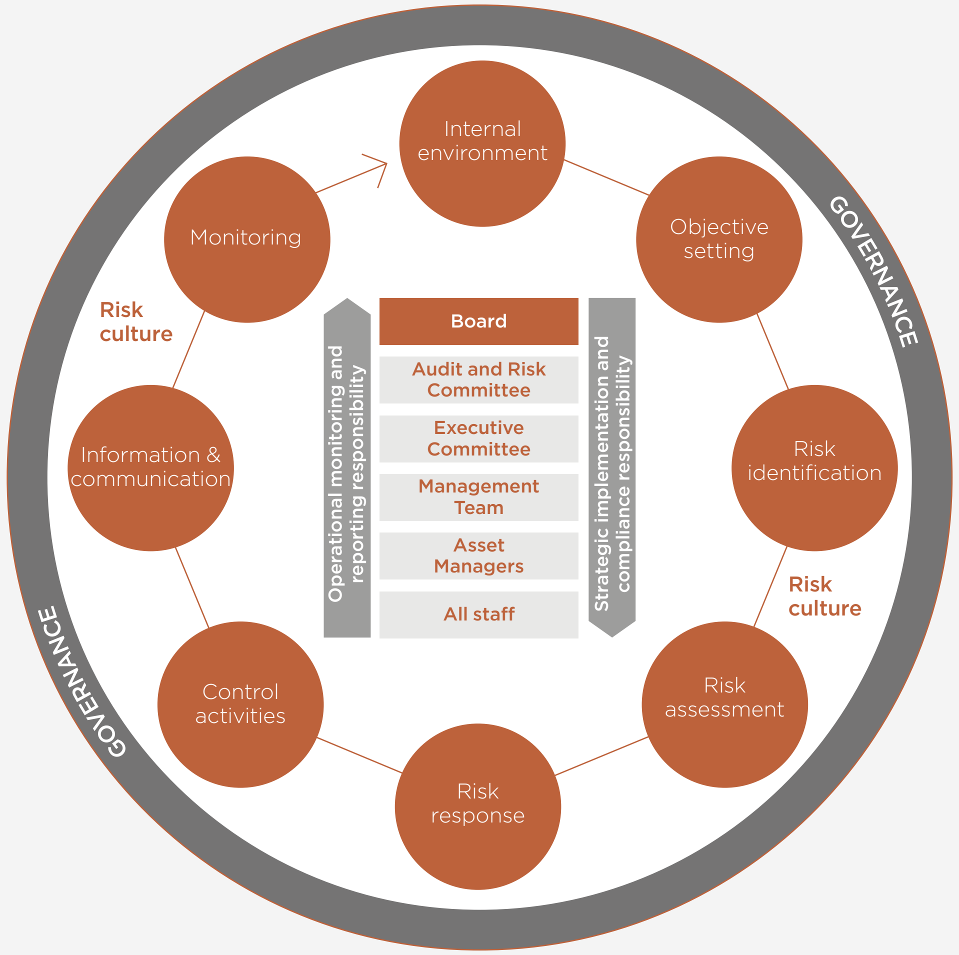
The identification of risk occurs primarily at Board level through application of Helical's Risk Management Framework ([see page xx]). As part of this process, the Risk Register and corresponding Risk Heat Map (please see page [xx]) are produced. The Board meets at least twice a year to assess the appropriateness of the Risk Register, taking into account the macro-economic environment, current projects and performance and past experience.

The Board considers both prevailing and emerging risks in the risk identification process. Horizon scanning is conducted, not just by the Board or senior management, but by every individual staff member. Team meetings are conducted every two weeks and provide a forum for information sharing with respect to emerging risks. Helical's collaborative environment and flat management structure further support open discussion on future and emerging risks.

Risk management approach

OVERSIGHT, IDENTIFICATION, ASSESSMENT AND MITIGATION OF RISKS AT A STRATEGIC LEVEL	TOP-DOWN APPROACH	**The Board**	Has ultimate responsibility for risk management within the Group. The Board sets the risk appetite of the Group, establishes a risk management strategy and is responsible for maintaining a robust internal control system.
		The Board	Continually monitors and reviews the risk management strategy to ensure that it remains appropriate and consistent with the Group's overall strategy and external market conditions.
		The Audit and Risk Committee	Supports the Board by evaluating the effectiveness of the risk management procedures and internal controls throughout the year.
		The Executive Committee	Is responsible for the day-to-day operational application of the risk management strategy and ensuring that all staff are aware of their responsibilities.
OVERSIGHT, IDENTIFICATION, ASSESSMENT AND MITIGATION OF RISKS AT AN OPERATIONAL LEVEL	BOTTOM-UP APPROACH	**Helical's management team**	Runs the business in line with the risk management strategy established by the Board and reports to the Board on how it operates. Both the small team size and the flat management structure allow the Executive Committee to have close contact with all aspects of the business and ensure that the identification and management of risks and opportunities are at the forefront of decision makers' minds.
		Individual asset managers	Are responsible for identifying and assessing risks relating to the properties they manage and reporting to the Executive Committee as appropriate.
		All staff members	Are responsible for complying with risk management procedures and internal control measures, reporting to the Executive Committee as necessary.

Risk management framework



Helical's Risk Management Framework is made up of eight components which all function to create an effective system of risk management and internal control. It is through the application of the Risk Management Framework that clear procedures for risk identification, assessment, measurement, mitigation, monitoring and reporting are aligned with the Group's strategic aims and the Board's risk appetite.

RISK MANAGEMENT
CONTINUED

VIABILITY STATEMENT
HELICAL'S LONG-TERM PROSPECTS

With over 35 years' experience as a property company, the Group has navigated multiple property cycles. These cycles present challenges and opportunities and it has been through successfully responding to both that Helical has grown to become a highly respected London office developer and asset manager. During this time, it has also built an extensive network of trusted partners who provide support, capital and access to new opportunities.

The Group has a high quality portfolio, primarily located in growing areas of London, and is delivering modern space which appeals to occupiers who need to attract the best talent. Helical has an excellent relationship with the financial institutions who provide its debt and has long-term and flexible financing.

It is from this strong position that the Board has considered the Company's future viability.

TIME PERIOD ASSESSMENT

The Directors have assessed the viability of the Group for a period of five years to March 2026, being the period for which the Board regularly reviews forecasts, and which encompasses the lifetime of the Group's major development projects. The Board considers the future performance of the Group beyond five years, but less certainty exists over the forecasting assumptions beyond this period.

REVIEW PROCESS

The viability of the Group is reviewed throughout the year and through multiple channels, detailed below:

- The strategic direction of the Group is established by the Board once a year and is captured in the Business Plan which forms the basis of the detailed budgets and actions for the year;
- The Board and Audit and Risk Committee review the principal risks of the Group at least twice a year, reassessing the severity of each risk and determining the Group's proposed response and planned mitigation;
- The five-year forecasts for the Group are updated and reviewed by the Board and Executive Committee on a quarterly basis; and
- Management reviews the short-term (three to twelve months) cash requirements of the Group on a monthly basis and cash balances and movements are monitored daily.

PRINCIPAL RISKS AND SENSITIVITY ANALYSIS

In making its assessment, the Board considers the Group's principal risks and assesses their combined potential impact in severe, but plausible, downside scenarios together with the likely effectiveness of mitigating actions that the Group has at its disposal.

The assessment included the following key assumptions:

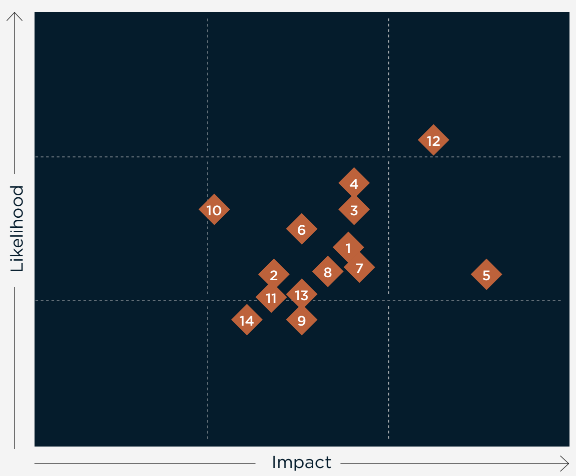
- **Rental income** – whilst the Group has a WAULT of 6.9 years across its portfolio, both void and rent-free periods have been included where a lease term ends within the period of review;
- **Debt financing** – the Company's primary source of financing is its £400m Revolving Credit Facility which expires in July 2024, however, this facility has two one-year extension options which have been assumed to have been exercised;
- **Development and asset management** – these activities require capital expenditure, and this has been included for both specific projects and general ongoing works; and
- **Administration expenditure and finance costs** – administration expenditure has been subject to inflationary increases. The hedging instruments the Group have in place mitigate the impact of any future changes to the interest base rate.

The most relevant risks and their potential impact, along with the sensitivity analysis performed, are highlighted below:

Risk areas	Principal risks
Covid-19 The impact of Covid-19 is expected to have the most material effect in the next 12 months and is considered in the going concern review on page [115].	• Property values decline/reduced tenant demand for space • Political risk • Breach of loan covenants • Health and safety risk • Business disruption and cyber security

Based on the outcomes of the procedures outlined above and other matters considered by the Board, the Directors hold a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to 31 March 2026.

Mapping our Principal Risks



		PRINCIPAL RISKS	CHANGE
Strategic Risks	1	The Group's strategy is inconsistent with the market	↑
	2	The Group carries out significant development projects	=
	3	Property values decline/reduced tenant demand for space	↓
	4	Political risk	↓
	5	Risk of pandemic outbreak*	
	6	Sustainability risk	=
Financial Risks	7	Availability and cost of bank borrowing and cash resources	=
	8	Breach of loan covenants	=
Operational Risks	9	Employment and retention of key personnel	=
	10	Reliance on external partners	=
	11	Health and safety risk	=
	12	Business disruption and cyber security	↓
Reputational Risks	13	Poor management of stakeholder relations	=
	14	Non-compliance with prevailing legislation, regulation and best practice	=

*This risk has been separately identified this year.

OUR PRINCIPAL RISKS

Helical's principal risks fall into the following categories: Strategic Risks, Financial Risks, Operational Risks, and Reputational Risks

When identifying risks, each risk is linked to the Group's strategic objectives: Growth, Property, Sustainability, Financing and People.

Risk severity involves assessing both the likelihood of a risk materialising and its potential impact. The Executive Committee assesses the risk severity and reports its assessment to the Board, which is based on:

- understanding the cause of the risk;
- an understanding of the resources at the Group's disposal to mitigate the risk;
- estimating the probability of such a risk occurring, both pre and post mitigating actions; and
- an assessment of the quantitative and qualitative impact of such a risk materialising.

The severity levels determined by the Executive Committee are assessed by the Board.

The Board also review the mitigating actions to ensure they reduce the risk down to an acceptable level based on the Group's risk appetite.

Risk	Description	Mitigating actions	Changes in risk severity
STRATEGIC RISKS Strategic risks are external risks that could prevent the Group delivering its strategy. It is these risks which principally impact decision-making with respect to the purchasing or selling of property assets.			
The Group's strategy is inconsistent with the market Link to Strategy **Growth** YoY change ↑	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. The Covid-19 pandemic has accelerated the move to more agile working practices. Whilst is it clear that there is an important role for the modern office, the full impact of the shift is yet to be determined. If the Group's chosen markets underperform, the impact on the Group's liquidity, investment property revaluations and rental income is greater.	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 analysis 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.	As part of the Government's response to Covid-19, non-essential workers (including office staff) were advised to work from home. The Government roadmap announced has resulted in a clearer path to the end of the pandemic but there remains uncertainty over the long-term impact. As such, this risk has increased.
Risks arising from the Group's significant development projects Link to Strategy **Property** YoY change =	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.	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.	The Group currently has one ongoing development at 33 Charterhouse Street, London EC1 and has made significant progress in fully letting Kaleidoscope, London EC1.
Property values decline/reduced tenant demand for space Link to Strategy **Property** YoY change ↓	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.	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.	Covid-19 has resulted in a high level of macro-economic uncertainty which is adversely impacting many businesses, particularly retail and leisure. A long-term move to increased home working could reduce demand for office space. The letting of Kaleidoscope in March 2021 has restored some confidence in the desirability of the London office market and as a result the risk level has reduced.

RISK MANAGEMENT
CONTINUED

Risk	Description	Mitigating actions	Changes in risk severity
Political risk Link to Strategy **Growth** YoY change ↓	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. With an agreement reached between the United Kingdom and the European Union in December 2020 there is a clearer picture as to how the United Kingdom will be impacted. However, we are yet to see how financial services will be impacted and the longer-term effect of the agreement on the case for investment in the UK. Covid-19 has resulted in the Government taking significant measures to respond to this crisis, including providing high levels of financial support and proposing future taxation increases.	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.	Covid-19 has resulted in the Government taking significant measures to respond to this crisis. The agreement reached between the United Kingdom and the European Union has reduced some of the uncertainties surrounding the UK leaving the European single market, and as a result the risk level has been reduced.
Risk of pandemic outbreak Link to Strategy **Growth** YoY change **New risk**	A pandemic outbreak could have a considerable impact on the global economy, as well as that of our business and our stakeholders.	In the event of a pandemic: • The Executive Committee will be tasked with the daily monitoring and managing of the risk, and will focus on the impact on property locations, the business and supply chain. • Regular Board discussions will be held during any pandemic to review the Group's response and mitigating actions. • Enhanced engagement with our stakeholders will be conducted (particularly with occupiers, contractors, shareholders and employees). • There will be continuous review of Government guidelines and emerging practice, with risk assessments undertaken as control measures change. • Guidance will be issued to our staff, occupiers and contractors on how to protect themselves and others. The Group ensures that it has adequate Business Continuity Plans and IT Business Continuity Plans in place to enable remote working for all staff. Testing of business resilience and risk planning is conducted throughout the year.	Given the scale of the impact of Covid-19, the risk of pandemic outbreak has been recognised as a separate strategic risk for the Group.
Sustainability risk Link to Strategy **Sustainability** YoY change =	The Group is exposed to sustainability risks such as climate and legislation changes related to ESG issues.	The Group has a Sustainability Committee, chaired by Matthew Bonning-Snook, which reviews the Group's approach and strategy. The Committee sets appropriate targets and KPIs which are reported on annually. The Group benchmarks its ESG reporting against various industry indicators and instructs an external expert to perform gap analysis on its performance. The Sustainability Strategy and a key performance review document clearly demonstrate the Group's approach to sustainability and the associated risks.	We recognise that the risks associated with the impact of carbon emissions and climate change continue to increase and that businesses that are not responding to these risks are likely to experience operational and reputational damage.

Risk	Description	Mitigating actions	Changes in risk severity
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 **Financing** YoY change =	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.	The Group maintains a good relationship with many established lending institutions and borrowings are spread across a number of these. Funding requirements are reviewed 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.	The Group has £154.4m of cash and £7.8m of cash held in joint venture with £55.1m available to drawdown on bank facilities at 31 March 2021.
Breach of loan covenants Link to Strategy **Financing** YoY change =	If the Group breaches debt covenants, lending institutions may require the early repayment of borrowings.	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.	The impact of Covid-19, and the lockdown response in particular, has put businesses under cash flow pressure. This in turn may adversely impact rent collection therefore the income covenants on our debt may come under pressure.
OPERATIONAL RISKS Operational risks are internal risks that could prevent the Group from delivering its strategy.			
Employment and retention of key personnel and business relationships Link to Strategy **People** YoY change =	The Group's continued success is reliant on its management and staff and successful relationships with its joint venture partners.	The senior management team is very experienced with a high average length of service. The Nominations Committee and Board 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, supported by the Company. The Group nurtures well established relationships with joint venture partners, seeking further projects where it has had previous successful collaborations.	The risk has remained broadly similar due to high staff retention levels and the maintenance of strong business relationships.
Reliance on external partners Link to Strategy **People** YoY change =	The Group is dependent on a number of external third parties to ensure the successful delivery of its development programme and asset management of existing assets. These include; • Contractors and suppliers; • Consultants; • Managing agents; and • Legal and professional teams.	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. 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, often engaging parties with whom it has successfully worked previously. Management actively monitors these parties to ensure they are delivering the required quality on time and strong working relationships are maintained.	No change has been noted or is expected.

RISK MANAGEMENT
CONTINUED

Risk	Description	Mitigating actions	Changes in risk severity
Health and safety risk Link to Strategy **Property** YoY change =	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.	The Group reviews and updates its Health & Safety Policy regularly and it is approved by the Board annually. Contractors are required to comply with the terms of our Health & Safety Policy and 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.	Whilst the level of the Group's development activity is expected to be lower, Covid-19 continues to present additional challenges in maintaining safe working environments.
Business disruption and cyber security Link to Strategy **Property** YoY change ↓	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 increasingly employs IT solutions across its property portfolio to ensure its buildings are "smart". The Group is at risk of being a victim of social engineering fraud. An external event such as extreme weather, environmental incident, power shortage, pandemic or terrorist attack could cause significant damage, disruption to the business or reputational damage.	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 and annual Cyber Essential Plus Certification. 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 performs penetration testing to identify emails of a suspicious nature, ensuring these are flagged to the IT providers, and ensures employees are aware they should 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.	The outbreak and spread of Covid-19 has created global economic uncertainty and the significantly increased impact and likelihood of this risk continues. Remote working increases the risk to cyber security. As businesses have adapted to these challenges and the Covid-19 outlook has improved, this risk has reduced.

Risk	Description	Mitigating actions	Changes in risk severity
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 **Growth** YoY change =	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.	The Group believes that successfully delivering its strategy and mitigating its principal risks should protect its reputation. 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).	This risk remains and is expected to remain at the same level.
Non-compliance with prevailing legislation, regulation and best practice Link to Strategy **Growth** YoY change =	The nature of the Group's operations and markets exposes it to financial crimes risks (including bribery and corruption risks, 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.	The Group's anti-bribery and corruption and whistleblowing policies and procedures are reviewed and updated annually and emailed to staff and displayed on our website. 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.	This risk remains and is expected to remain at the same level.