COVID-19 RISK ASSESSMENT

We have set out below the principle risks we face as a business related to Covid-19 and how we are mitigating these.

Business risk	Mitigating factor/response	Changes
Planning delays: continued deferment of planning consultations and committees delaying project progress and monetisation	• Virtual planning consultations and committees will lead to decision-making by councils • New Planning Director and Community Engagement Manager to support planning success	Further contingency for planning delay incorporated in future internal timelines Removed future guidance for the short-term in response to uncertainty
Construction delays: closure of sites and related delays to project progress / monetisation	• All our sites remained open during Covid-19 • Urgent need for homes and mixed-use schemes means construction is an essential service • Schemes where planning has been achieved will be prioritised	Earlier engagement internally and with third-parties to agree strategy and acceleration processes in the instance of site closures or social distance working to ensure minimal disruption
Reduced new business opportunities: challenges in strengthening development and trading pipeline	• Continued focus on opportunistic acquisitions, with strong potential for value creation • Structural demand for mixed-use schemes remains; we have a strong existing pipeline to deliver, with short and long-term gains visibility • Disruption presents opportunity – focused new business team and widened capital partner discussions to build scale	Widened team responsibility and accountability for new business oversight and generation to ensure access to new opportunities, whilst increasing focus on nurturing trusted relationships

Retail exposure: closure of assets within investment portfolio and related rental and capital declines	• Progress made to dispose of mature retail assets in line with diversification strategy • 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	Formation of a working group to scenario plan for future events that could trigger closure of assets across the portfolio. Importance of maintaining focus on transition strategy for portfolio diversification
Occupier rent payments: withdrawal or late payment of rent by cashflow constrained tenants	• Most outlets re-opened as lockdown measures eased in June, and slow return to normal trading expected as government rules ease further • Agreed alternative measures with tenants, as required on a case by case basis, including deferrals, re-gears and new payment plans	Earlier one on one discussions with tenants to agree rent payment programmes
Inability to rent/sell new spaces: low confidence affecting purchasing power of businesses and individuals	• We start discussions early to pre-sell or pre-lease some stock at our development sites • Continue to see demand across our portfolio, albeit decisions are slower • Demand will always be high for quality schemes suited to the local catchment • In three high-growth geographies where demand is particularly high	Greater focus on pre-letting or selling stock and closer collaboration with potential purchasers around individual financial circumstances

Access to capital: delays in securing third-party funding	• UK remains an attractive financial centre • Demand for long-term secure income streams is strengthening appetite for 'diverse' real estate assets. • Low interest rates ensure real estate remains attractive, with low stock increasing competition for core assets of the future	Discussions with wider pool of capital, to provide additional routes to funding
Reduced cash due to project delays: development management fee delays, slow third-party decision-making and late tenant rent payments reducing U+I's cash position	• Acceleration of cost saving programme strengthens cash position • Over £60 million of free and restricted cash available • Ceased all discretionary spend and non-essential development capex to preserve cash	Create an even greater cash buffer to ensure sufficient reserves in more challenging market backdrops