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
Behavioural shift reducing demand for space: low confidence affecting purchasing power of businesses and individuals.	• 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.	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.	• 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.	Discussions with wider pool of capital, to provide additional routes to funding.

	• Low interest rates ensure real estate remains attractive, with low stock increasing competition for core assets of the future	
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.	• 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.	Create an even greater cash buffer to ensure sufficient reserves in more challenging market backdrops.
Planning delays: backlog and remote working leading to deferment of planning consultations and committees delaying project progress and monetisation.	• 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,	Clear criteria to assess all potential risks across our schemes' lifecycles; greater contingency for planning delays incorporated in internal timelines. Many of our schemes are at different stages or multi-phase minimising exposure

	Build, Build" agenda. • 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.	to planning on overall profitability. We have over 6 million sq.ft. of shovel ready schemes.
Construction delays: delays to project progress / monetisation following Covid-19 site closures and restrictions.	• 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.	Established good working relationships with third parties to manage risk. 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.
Reduced new business opportunities: challenges in strengthening development and trading pipeline.	• Disruption presents opportunity for undervalued acquisitions with strong potential for value creation. • Focused new business approach and widened	Widened team responsibility, accountability and incentivisation for new business generation to ensure access to new opportunities.

	capital partner discussions to build scale. • 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.	Increased focus on nurturing trusted relationships supports access to public and private opportunities.
Retail exposure: closure of assets within the investment portfolio and related rental and capital declines.	• 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.	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. Formation of a working group to scenario plan for future events that could trigger closure of assets across the portfolio.
Occupier rent payments: withdrawal or late payment of rent by cashflow constrained tenants.	• 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.	More regular engagement in place with tenants to discuss their individual needs. Earlier one on one discussions with tenants to agree rent payment programmes.