

Risk Management Report

The Board is responsible for ensuring good corporate governance and prudent risk management is implemented by the Group.

The Board has approved the Risk Management Framework which provides a common risk management process across the Group to identify, assess, mitigate, monitor and report risks which impact the Group. The Group's risk management process aims to ensure that all risks to which the Group is exposed are identified, understood and appropriate mitigating controls are implemented to manage the risks effectively and protect the Group.

The Group has a risk register to support the risk management process and document the Group's risks, controls and their approved ratings based on likelihood and impact from both an inherent and residual perspective. The Board formally reviews and approves the risk register on at least a bi-annual basis.

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As part of its oversight responsibilities, the Audit & Risk Committee is responsible for reviewing the adequacy and effectiveness of the Group's risk management process.

Principal Risks and Uncertainties

Arising from the risk management process, principal risks and uncertainties have been identified which could have a material impact on the Group in achieving our strategic objectives. These risks and uncertainties together with key mitigating considerations are set out on pages 37 to 40.

Risk or uncertainty and potential impact

Adverse Macroeconomic Conditions

Glenveagh operates in a property market that is cyclical by nature which can lead to volatility of property values and market conditions.

Geopolitical uncertainty (including Brexit) could lead to a potential adverse impact on the Group's asset valuation and financial performance due to factors such as slowdown in economic growth, increased interest rates and decline in consumer confidence.*

Adverse changes to government policy and regulations

A change in the domestic political environment and/or government policy (including tax legislation, support of the housebuilding sector, Part V allowance and first-time buyer assistance) could adversely affect the Group's financial performance.

Mortgage Availability and Affordability

Glenveagh understands that affordable mortgage finance is a crucial funding source for buyers in the residential property market in Ireland.

Constraints on the availability and cost of mortgage financing may have an adverse impact on sales of the Group's homes due to a potential decline in customer demand and ultimately the profitability of the Group.

Key Mitigating Considerations

The Group aims to maintain a reasonable but limited stock of land (5-7 years).

The Group avoids any longer exposure through strict land acquisition policies.

The Group has a robust acquisition policy and approval process in place to ensure the best value is achieved on assets and that they are aligned to the strategic objectives of the Group.

Glenveagh Living will assist in reducing the cyclical nature of the business through the delivery of apartments and houses for the rental market.

Management and the Board actively monitor the geopolitical risks and seek expert industry advice where required.

The Group's management and Board monitor government policy on an ongoing basis.

Management's site by site forecasts are conservative by nature and allow for expected negative changes in government policy and regulation.

The Group has the capability to redesign developments as appropriate should it be required.

The Group will consider alternative sales strategies where required to align to any changes in the domestic political environment.

Management and the Board continuously monitor government policy around mortgage availability.

The Group regularly engages with mortgage advisors to gain valuable insights into the market and the impact of regulatory changes impacting mortgage lending.

The Group's strategy can facilitate the adjustment of delivery velocity if required.

Risk or Uncertainty and Potential Impact**Decline in Product Quality**

Delivery of the highest quality homes is central to the success of Glenveagh.

The Group continues to focus on ensuring our products meet the desired standards and is aware that significant negative incidents including construction defects, material environmental liabilities (including hazardous or toxic substances), quality deficiencies or perceptions thereof could adversely impact the Group's sales and possibly result in litigation cases against the Group with a potentially negative impact on the Group's brand and customer satisfaction which are crucial to the Group's performance.

Inadequate Project Management

Inadequate oversight of the cost and delivery of development projects adversely affects expected return on investment.

Insufficient health and safety procedures

Glenveagh is focused on the wellbeing of its employees, contractors / sub-contractors and the general public.

The Group understands that failure to implement and adhere to the highest standard of Health & Safety practices can lead to a significant risk to safety, health and welfare of staff and other parties resulting in increased costs and negatively impact the timely and safe delivery of a project.

Additionally, any failure in health or safety performance or compliance, including delay in responding to changes in health & safety regulations may result in financial and / or other penalties.

Key Mitigating Considerations

The Group has implemented robust quality control procedures and strictly adheres to Building Control (Amendment) Regulations requiring (among other stipulations) the appointment of suitably qualified engineers and architects.

The Group has an experienced and professional support team in place.

The Group has a dedicated customer service after-sales team.

The Group has fixed cost contracts in place with sub-contractors and suppliers where possible.

The Group employs highly experienced and qualified project managers who oversee a robust financial planning process for each development and continuously monitor and review the budget versus actual costings. This includes regular updates to the Executive Committee and Board of Directors.

A dedicated Health & Safety Officer is appointed and in place.

The Group has a wealth of experience, adopts best practice and regulations and has developed and implemented formal best practice policies and procedures to support and promote a robust Health & Safety environment.

The Group ensures all staff are appropriately and adequately trained.

The Group has a Safe-T certificate which is the industry Health & Safety auditing standard.

There is adequate insurance cover in place to deal with any claims that may arise from claims due to injury.

Risk or Uncertainty and Potential Impact**Employee development and retention**

The success of the Group is dependent on recruiting, retaining and developing highly skilled, competent people. The Group is aware that loss of key personnel and/or the inability to attract/retain adequately skilled and qualified people could lead to:

- Poor operational and financial performance
- Inadequate staff knowledge and understanding of policies & procedures;
- Reduced control environment;
- Insufficient transfer of knowledge amongst staff to allow for succession planning;
- Demotivated staff; and
- Failure to achieve/ deliver on the Group's strategic objectives.

Availability and increased cost of materials and labour

Shortages or increased costs of materials and labour could lead to an increase in construction costs and delays in the completion of homes.

If the Group is unable to control its costs or pass on any increase in costs to the purchasers of the Group's homes, source the requisite labour, and/or renegotiate improved terms with suppliers and contractors, the Group's margins may reduce which could have an adverse impact on the Group's business operations and financial condition.

Key Mitigating Considerations

The Group offers competitive and attractive remuneration packages and where appropriate long term interest alignment.

The Group offers the opportunity for advancement through creating a positive working environment.

The Group has implemented a performance management and appraisal process which includes open channels of communication and feedback and development plans for employees.

The Group is developing a succession plan to ensure continuity of quality service and knowledge retention.

The Group ensures that all staff have access to relevant internal and external training.

The Group has fixed cost contracts in place with sub-contractors and suppliers where possible.

The Group has the potential to expand its purchasing network should it be required and maintains flexibility by not having an overreliance on any one supplier.

The Group engages in financial planning and continuously monitors and reviews the budget versus actual costings.

Risk or Uncertainty and Potential Impact

Data protection and cyber security

The Group uses information technology to perform operational and marketing activities and to maintain its business records.

A cyber-attack could lead to potential data breaches or disruption to the Group's systems and operations which in turn could lead to damage to the Group's reputation and potential loss of customers and revenue.

Any security or privacy breach of the information technology systems may also expose the Group to liability and regulatory scrutiny.

Key Mitigating Considerations

The Group has appointed a Head of IT to support the Group in mitigating the risk of cyber and data security breaches further.

The Group uses internal and external back-up systems under the supervision of a third-party service provider pursuant to agreements that specify certain security and service level standards.

The Group has implemented sensitive data password protection and all such information is stored in secure locations.

The Group is proactively managing the cyber threat and regularly engages a third party to perform a system hygiene check to identify and remediate any potential weaknesses or control gaps.

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