

LETTER FROM THE CHAIRMAN OF THE RISK COMMITTEE



RICHARD DAKIN
CHAIRMAN OF THE RISK COMMITTEE

Dear Shareholder,

I am pleased to present the report of the Risk Committee for 2015.

Conditions in our central London market remained strong throughout 2015 and the political uncertainty caused by the pending UK general election that I mentioned last year was resolved. However, in terms of political risk, this has been replaced by the uncertainty now being created by the Brexit referendum and this, together with a number of external global factors, has caused the overall risk level to increase over the year. The nature of these external factors which include, amongst others, terrorism, a hard landing for the Chinese economy and cyber-attacks, means that we expect this level of risk to persist for at least the next year.

The Committee's work during the year was concentrated on two areas. The first of these was cyber security and the second was the Group's business continuity plan. At the start of the year an external firm of consultants produced a review of the Group's exposure to cyber security risk. This included a roadmap towards further improving our resilience to this type of risk. A timetable was agreed with the IT department for the implementation of these improvements and the Committee was kept informed of progress. At the year end, all of the key enhancements were in hand.

The update of the Group's business continuity plan was again facilitated by a third party. The exercise was initiated by a full business interruption assessment which formed the basis for the updated plan and the recovery times included therein. In November the plan was subject to a full live test which included successfully switching the Group's IT systems over to the back-up suite.

These risks are likely to remain at the top of the agenda through 2016 but in the first half of the year the Committee will be reviewing the internal reporting that is being introduced in response to the new monitoring requirements of the UK Corporate Governance Code following the 2014 update.

RICHARD D.C. DAKIN
CHAIRMAN OF THE RISK COMMITTEE

25 FEBRUARY 2016

REPORT OF THE RISK COMMITTEE

The Committee was chaired by Richard Dakin and served by Stephen Young, June de Moller, John Burns and Damian Wisniewski throughout 2015. At the end of the year, June de Moller retired and Cilla Snowball joined the Committee.

Rules and responsibilities

The Committee's terms of reference are available on the Company's website.

Meetings

Three meetings are scheduled for the year with extra meetings convened if necessary for the Committee to discharge its duties.

Work of the Committee

During the year the Committee undertook the following tasks:

- Reviewed the Group's risk register twice during the year and considered the top ten risks at each meeting.
- Received presentations from senior management concerning the controls over certain parts of the business or specific risks. The areas of focus were determined by the review of the top ten risks and key presentations covered cyber risk and cost control. The latter was considered particularly important by the Committee due to the level of capital expenditure planned for the next few years on the Group's development pipeline.
- Considered the operation of the Group's risk management process and non-financial internal controls.
- Oversaw the development and testing of the Group's Business Continuity Plan.
- Considered a report from the Group's legal advisers concerning potential regulatory risks over the next 12 months.
- Regularly reviewed the Group's quarterly register of hospitality and gifts maintained under the Group's Bribery Act procedures.
- Reviewed the Group's register of potential conflicts of interest.
- Received training on the objectives and operation of Risk Committees in the light of the recent FRC guidance.
- Reviewed the Committee's terms of reference.
- Considered the content of the annual appraisal of the Committee's performance.

RICHARD D.C. DAKIN
CHAIRMAN OF THE RISK COMMITTEE

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