

LETTER FROM THE CHAIRMAN OF THE RISK COMMITTEE



JUNE DE MOLLER
CHAIRMAN OF THE RISK COMMITTEE

Dear Shareholder,

I took over as Chairman of the Committee from Stephen Young in August and am pleased to present the report of the Risk Committee for 2013.

The Committee has seen certain risks that were identified last year diminish in importance over the year such as Eurozone concerns and the state of the UK economy where, particularly in London, growth appears to have taken root. However, these risks have been replaced by some equally significant ones namely the potential effect of both the Scottish independence vote, the UK referendum on EU membership and cyber risk. These serve to keep the perceived level of risk in the economy high.

Within this environment the Committee has kept under review the effectiveness of the controls that the Group operates. This has seen an increase in the size of the health and safety team and an overhaul of its reporting framework together with an external review of the Group's risk assessment process and external training on the requirements of the 2010 Bribery Act.

Whilst the results of the review of the risk assessment process were generally favourable, a number of improvements were identified and these will be built into the Group's procedures over the next 12 months.

REPORT OF THE RISK COMMITTEE

At the start of the year the Committee consisted of June de Moller, John Burns and Damian Wisniewski and was chaired by Stephen Young. In August 2013, Richard Dakin joined the Committee and June de Moller took over the chairmanship.

Roles and responsibilities

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

Meetings

It is intended that the Committee meet twice a year with extra meetings convened if necessary for it to discharge its duties.

Work of the Committee

During the year the Committee:

- Reviewed the Group's risk register.
- Received presentations from senior management concerning the controls over certain parts of the business.
- Commissioned an external review of the Group's risk assessment process and its internal and external risk management reporting.
- Facilitated an online training course for all employees to increase staff knowledge of the 2010 Bribery Act.
- Considered a report from the Group's legal advisors concerning potential regulatory risks over the next 12 months.
- Reviewed the Group's register of hospitality and gifts maintained under the Group's Bribery Act procedures.
- Reviewed the Group's register of potential conflicts of interest.
- Reviewed the Committee's terms of reference.

JUNE F. DE MOLLER
CHAIRMAN OF THE RISK COMMITTEE

27 FEBRUARY 2014

 To read more about our risk management activities see pages 28 to 32