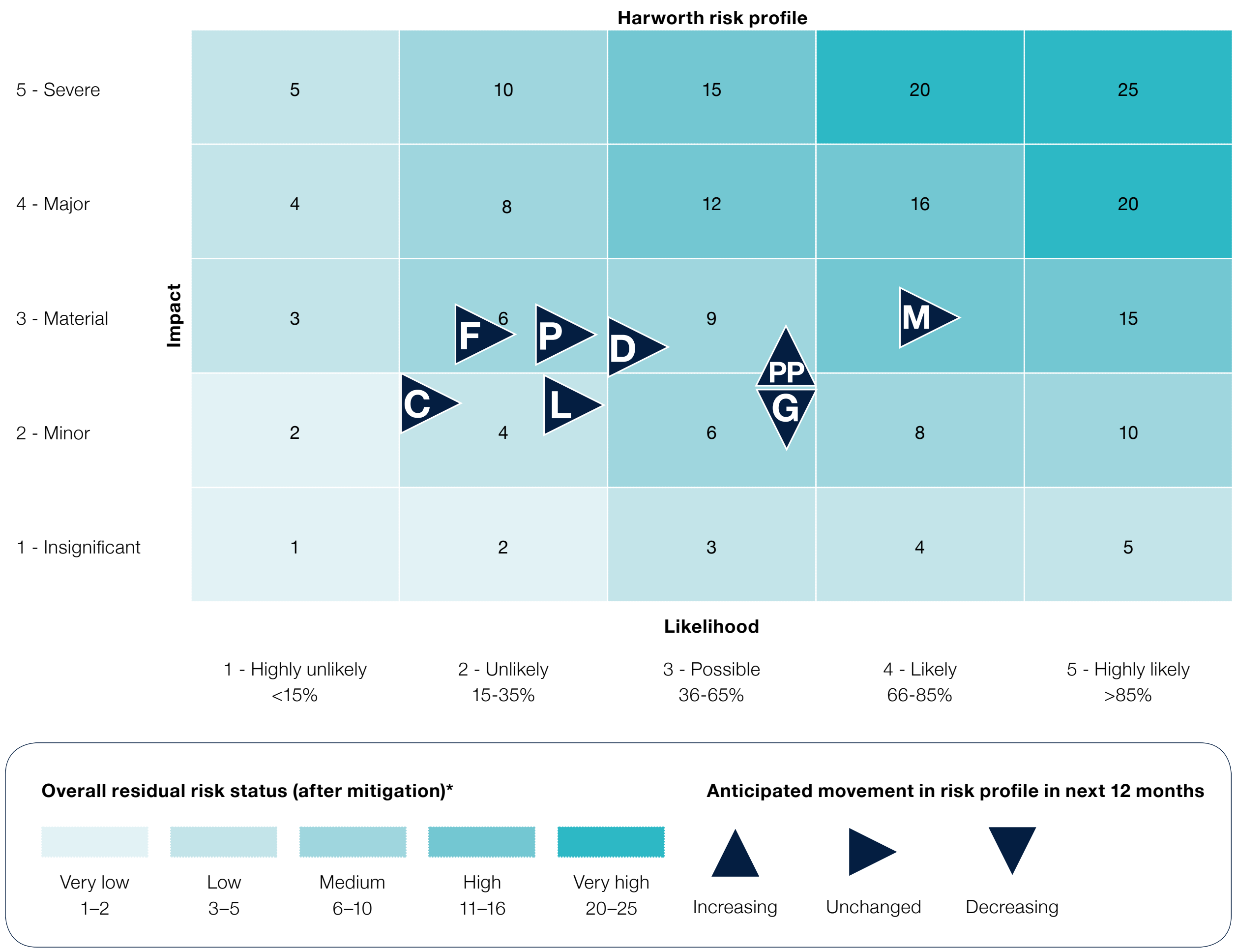
MANAGING RISK

The Board has ultimate responsibility for determining the risk appetite of the Group and for the implementation and regular review of policies, processes and controls to mitigate and manage risk. The Board recognises that not all risks can be eliminated, or sufficiently mitigated at an acceptable cost and that there are some risks which, given the nature of the Group's business and the growing track record and experience of the team, it is prepared to accept. The Board also recognises that the Group's insurance programme plays an important part in reducing the impact of certain inherent risks which are neither acceptable nor capable of removal.

The Group Risk Register ("GRR") is the principal tool used by the Board and senior management team for monitoring the strategic risk profile of the business and the measures in place at an operational level for mitigating and managing risk. The GRR maps the risk profile of the business, with individual risks currently grouped into eight categories, being: markets (M); delivery (D); politics (P); finance (F); people (PP); legal and regulatory (L); governance and internal controls (G); and communications and stakeholder management (C). Those categories remain subject to regular review. Risks are scored on a "heat map", from "very low" to "very high", according to residual risk status (after accounting for mitigation measures already in place) and materiality. Emerging risks are also identified, together with steps that have been identified to mitigate them.

The GRR is now reviewed quarterly by both the senior management team and the full Board. Updates are made as necessary, both to the profile of certain risks and, in some cases, risk categories, and to the risk mitigation and management measures undertaken and planned, together with the anticipated impact of such measures to reduce risk exposure. Quarterly reviews also identify any emerging risks. Those quarterly reviews are informed by both the Board's high-level assessment of risk and more detailed operational feedback from senior management, following consultation with their respective teams. The risk profile of the business, as reflected in the GRR, is measured against the Board's risk appetite, which is reviewed annually. The Board's objective is to maintain, as far as possible, an alignment between its risk appetite and the risk profile of the business.



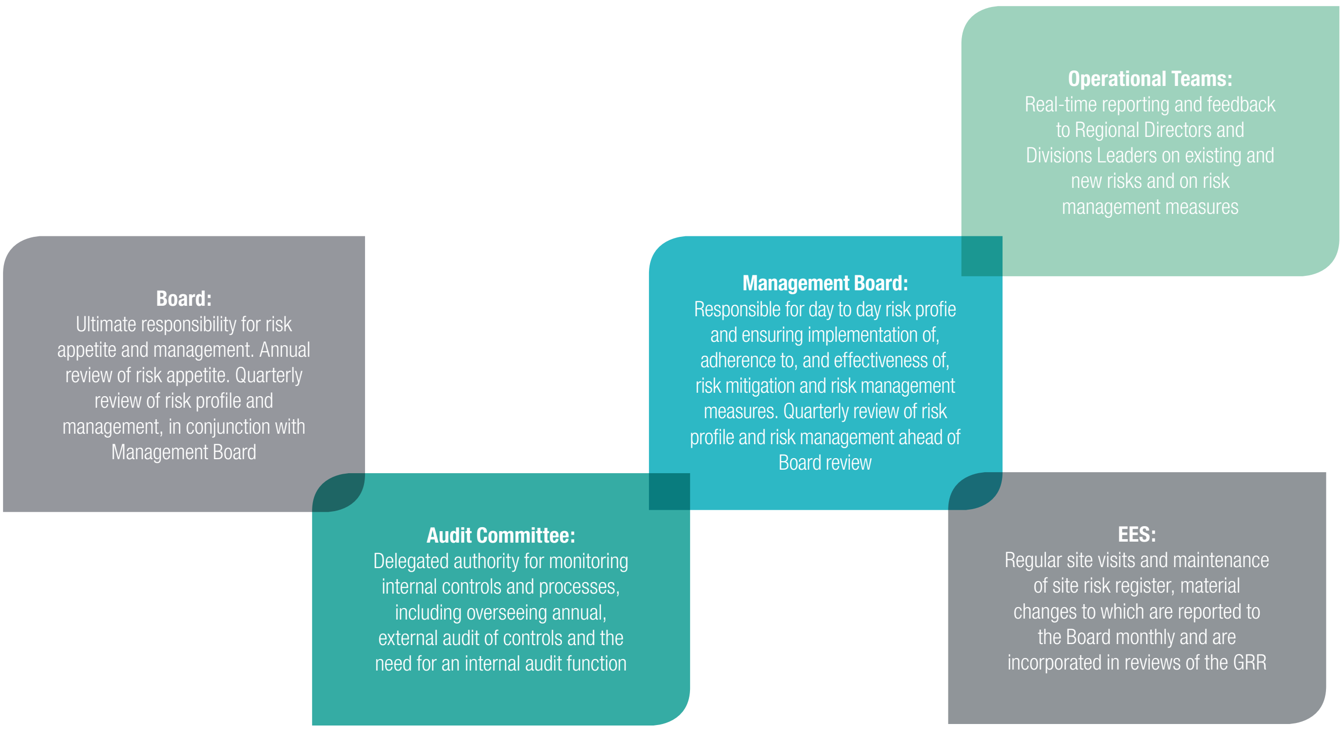
* Impact risk scoring determined by one or more of Balance sheet, P&L or reputational inputs

The executive team, supported by the senior management team, has ultimate responsibility on a day-to-day basis for: the Group's risk profile; the implementation of, and adherence to, risk management controls and procedures; and monitoring the continued effectiveness of the same. Following regionalisation of the business the management of operational risks relies increasingly on a framework of internal controls and processes for: monitoring existing and emerging (but identified) risks; identifying new operational risks; and ensuring the effectiveness of risk mitigation measures. Work is ongoing to evolve those controls and processes in the context of the new regional structure. That said, the business continues to have a relatively small team and short reporting lines and members of the senior management team are, therefore, closely involved in day to day operations and often able themselves to identify new and changing risks.

The GRR identifies an "owner" of each risk, being a member of the executive team, who takes responsibility for the status and management of that risk, in some cases with support from other members of the senior management team. All members of the senior management team consult regularly with their teams about, and feed-back (to the Management Board) on, existing and new operational risks, and the effectiveness of risk management measures. This feed-back is reflected in the quarterly updates to the GRR.

Alongside maintenance of the GRR:

- our Estates, Environment and Safety ("EES") team maintains a site risk register through which we continuously monitor the risk status of each of our sites. Material changes in their risk status are reported to the Board on a monthly basis and changes to the profile of the site risk register are incorporated into the quarterly reviews of the GRR; and
- the Chief Executive chairs a quarterly health and safety meeting which is attended by representatives of each regional and centrally operated division, at which: incident briefings are given; site-specific and business-wide issues are identified and discussed, with action points agreed; and best practice is shared. Action points are recorded and monitored by the Associate Director of EES.



MANAGING RISK
Continued

Principal risks and uncertainties

The Group is currently operating against a backdrop of heightened economic and political turbulence surrounding the UK's exit from the EU. The Board is mindful that these macro conditions could lead to a downturn in the regional residential and/or commercial property markets in which the Group operates. Alongside the 2019 budget and five-year strategic plan presented to the Board in the fourth quarter of 2018, the executive team modelled a severe market downturn lasting throughout 2019 and 2020. It forecast the potential impact on, and headroom in, the Group's property valuations and cashflow, and the measures available to the Group to mitigate against the same. That analysis has demonstrated that the Group, which is well-capitalised and has low financial gearing, is in a resilient position both to withstand adverse market movements and to capitalise on acquisition opportunities which may arise in a climate of continued economic and political uncertainty. Further detail is set out in the viability statement on page 45.

Notwithstanding the Group's downside forecasting, the housing, logistics and manufacturing markets in the Group's core regions remain supported by long-term fundamentals and both local and central government policy, and currently do not show signs of a material downturn. That said, there is some evidence of a slow-down in the rates of sales by housebuilders. This prompted a short delay to, and a change to the payment structure of, one prospective sale of residential land at the turn of the year, albeit contracts have now been exchanged for that sale. That example apart, we have not experienced any adverse impact on sales.

The increased likelihood of a downturn in the residential and/or commercial property markets, set against the current economic and political backdrop, has been reflected in the GRR by an increase in the risk status of the markets risk category, from "medium" to "high" risk (when compared to the 2017 Annual Report).

There has also been an increase in the risk status of the governance and internal controls category, from "low" to "medium" risk. This reflects that the Group's framework of internal controls and processes needs to evolve to respond to the regionalisation of the business. We expect this category to revert to a "low" risk status over the coming months as controls and processes are embedded into the regional structure, and certain other initiatives connected to cyber security and information security are implemented.

Whilst there have been some modest changes to the status of certain other individual risks across the business, there have been no material changes to the overall profile of other risk categories since publication of the 2017 Annual Report, with all other categories scored as either "medium" or "low" risks. We anticipate an increase in the risk status of the people category over the coming months, reflecting the recruitment and succession challenge as our regional structure continues to bed in. The status of all other categories is expected to remain unchanged.

Below is a detailed analysis of the Group's principal risks and uncertainties, similar to that in the 2017 Annual Report, reflecting the latest review of the GRR by the Board and the points referred to above. This analysis: (A) records the current profile of each risk category, after mitigation; (B) lists the mitigation measures already in place and those identified for implementation over the next 12 months; and (C) indicates how each risk category could impact our strategic priorities.

Key	Current risk profile				
	Very Low	Low	Medium	High	Very High
Our estimate of the current level of risk, taking account of controls and mitigation already in place. Risk is difficult to estimate with accuracy and so may be more or less than indicated	VL	L	M	H	VH

	Anticipated movement in risk profile		
	Increasing	Unchanged	Decreasing
Current assessment of anticipated movement in risk in the next 12 months	▲	▶	▼

	Link to Strategy					
Link to Strategic Priorities	Development	Investment	Sectors	Regions	Acquisitions	Gearing

Summary of the Group's Risk Profile

Risk categories	Markets (M)	Delivery (D)	Politics (P)	Finance (F)	People (PP)	Legal + Reg'tory (L)	Governance + Controls (G)	Communications + S'h M'mnt (C)
Risk appetite	M	M	M	M	M	VL	L	M
Risk profile	H	M	M	M	M	L	M	L
Expected change	▶	▶	▶	▶	▲	▶	▼	▶

Note: based on the latest review of risk appetite and risk profile undertaken by the Board and referred to on page 34.

Turn to page 4 to read about Our strategy

R1. Markets

Determined by exposure to largely external factors

Commentary:

A downturn in one or more of the property markets in which we operate, being the residential, logistics and manufacturing property sectors in the North of England and the Midlands, could: limit value gains across our portfolio or, in extreme cases, cause parts of our portfolio to drop in value; restrict the number of planned sales we make; and/or result in underperformance by our Income Generation assets.

Those adverse consequences could be exacerbated if our strategy does not evolve to respond to changes in our core markets.

Current risk profile:	Strategic priorities potentially impacted:	Anticipated movement in risk:
H		▶

The "high" risk rating of this category reflects that we appear to be late in the property cycle and potential concerns about a market downturn, together with the backdrop of heightened political and economic turbulence as negotiations continue for the UK's exit from the EU. Against that backdrop, we expect the risk rating will remain high during 2019.

Mitigation and controls already in place:

- The diversity of our portfolio (sectors and geography) mitigates against a downturn in one of our core markets. Our core regional markets are typically less volatile than the London and South East markets. The Income Generation portfolio includes a diversity of income streams which has a similarly mitigating effect.
- The move to a regional operating structure will increase our "footprint" in the Midlands and North West, which will mitigate against market movements at a regional level.
- Value gains are generally driven more by active management than market movements.
- We build headroom into our sales forecasts by identifying potential alternative sales in the event that planned sales do not proceed as quickly as anticipated.
- We made a substantial investment in our recurring income portfolio during 2018, both through acquisitions and direct development, to improve further the sustainability of the business during periods of market downturn.
- We can control our working capital movements by managing acquisitions and development spend to respond to market movements. Our cash flow forecasts also provide for a minimum £5m "buffer" throughout the year.
- The executive team monitors, and updates the Board at least monthly on, prevailing market conditions. Given current turbulence in the macro economic and political climate, the Group's plans remain subject to ongoing review and will evolve to respond to any material movements in the Group's core regional markets.

Further actions to be taken to mitigate and manage risk:

- We will continue to take steps to widen our geographical footprint, which will further mitigate against market movements at a regional level.
- Our development plans and projected sales will inform our strategy on acquisitions and masterplans, to ensure we maintain a balanced mix of commercial and residential sites across our portfolio.
- We will continue to grow and strengthen our recurring income portfolio.
- We will explore and, if viable, undertake delivery of Build to Rent schemes on our sites, thereby widening our access to the residential property market and increasing our potential points of sale.

MANAGING RISK

Continued

R2. Delivery	**Determined by exposure to both external and internal factors**

Commentary:

Our ability to generate EPRA NNNAV growth and/or grow our investment returns could be adversely affected by external factors, such as: a sparsity of and/or increased competition for attractive acquisition opportunities; adverse planning decisions; or market-driven increases in development costs, or by internal factors, such as poor operational delivery.

Current risk profile:	Strategic priorities potentially impacted:	Anticipated movement in risk:
M		

The "medium" risk rating of this category reflects the balance between: more competition for acquisition targets and some uncertainty around future labour and raw material costs once/if Brexit is implemented, which elevate risk; and our successful track record on planning promotion and continuous improvements to internal processes and controls, which mitigates the risk. We expect the profile of this risk category to remain largely unchanged over the coming 12 months.

Mitigation and controls already in place for external factors:

- The move to a regional operating structure means that the acquisitions and planning promotion functions are now embedded in the regions, with support from a very experienced central team in the case of planning promotion. This facilitates a more focussed and intensive approach to both acquisitions and planning promotion at a regional level. Alongside that refined approach we continue to: establish and strengthen our agency and local authority relationships in the regions; enhance Harworth's profile both regionally and nationally; and build our track record for delivery.
- We have introduced a standard acquisitions financial model to ensure consistency across the regions in appraising acquisition opportunities.
- We have refined the way we appraise prospective PPAs.
- The executive team regularly reviews strategic priorities and the availability of capital to ensure the team can focus its time and resources appropriately.
- Our planning promotion team has a proven track record for promoting schemes through the planning application process. Success is achieved through careful masterplanning and preparation of applications, alongside tireless stakeholder management at a local level.

Further actions to be taken to mitigate and manage risk:

- The Governance and Internal Controls section below identifies the steps we are taking to embed our framework of internal controls and internal reporting regime into the new regional structure, to ensure effective operational delivery and appropriate reporting of financial and commercial information to the executive team and Board.
- We will recruit additional resources into the regional acquisition teams.

R3. Politics	Determined by exposure to external factors

Commentary:

Changes in national and/or local government policy, including planning, could impact the Group's activities.

Current risk profile:	Strategic priorities potentially impacted:	Anticipated movement in risk:
M		▶

The "medium" risk rating of this category reflects: the relative stability of central Government planning policy (Help to Buy persists and there were only modest changes to the National Planning Policy Framework), and the broadly supportive backdrop of local planning policy; balanced against the challenges faced as a result of HS2 safeguarding, and the medium-term potential for a Land Value Capture initiative. We expect the profile of this risk category to remain largely unchanged over the coming 12 months.

Mitigation and controls already in place:

- The diversity of our portfolio affords a degree of mitigation to adverse political changes which could impact our markets.
- We make representations on our own, alongside partners and in conjunction with key industry bodies, to minimise the prospect of adverse policy changes being enacted.
- Our planning promotion team monitors closely the political landscape and climate both at a national level, particularly with regard to Land Value Capture and the National Planning Policy Framework, and at a local level, particularly where we have current or prospective planning promotions. This informs our masterplanning, promotion, development and sales strategies.
- We have played an active role in Government consultations on Land Value Capture.
- Our proactive engagement with HS2 Limited has facilitated plot sales at our Gateway 45 site, notwithstanding safeguarding of part of the site.
- During 2018 we effected a sale of the majority of our Lounge site, which is also subject to safeguarding by HS2 Limited.

Further actions to be taken to mitigate and manage risk:

- We will play an active role in the newly established BPF Regional Policy Committee, which is to be chaired by Owen Michaelson.
- We will continue to contribute to ongoing Government consultations on Land Value Capture and any proposed changes to the NPPF.
- We will continue to engage with HS2 Limited to accelerate payment of compensation for safeguarded land at Gateway 45 and the retained part of our Lounge site.

MANAGING RISK

Continued

R4. Finance	Determined by exposure to both external and internal factors

Commentary:

It remains our ambition to cover the Group's operating costs, interest, tax and dividends from ongoing rental and other operating income. A shortfall in income could impair our ability to maintain activity levels to deliver EPRA NNNAV growth and/or investment returns during periods of market downturn. It could also result in an interest cover covenant breach on our revolving credit facility.

We use debt capital, in the form of bank debt, infrastructure loans and a bonding facility, to help fund our activities. If that capital is temporarily unavailable, or only available at a materially increased cost, or our debt capacity is constrained, that could fetter our ability to grow EPRA NNNAV and/or investment returns.

Gaps in our insurance programme could lead to an irrecoverable financial loss.

Current risk profile:	Strategic priorities potentially impacted:	Anticipated movement in risk:
M		

The finance category has a "medium" risk profile reflecting a balance between: a material increase in recurring income from acquisitions, direct development and asset management, an increase in our revolving credit facility limit to £100m, implementation of a new fixed interest rate hedge, and continuous improvements to financial reporting and forecasting; set against an increase in overheads from regionalisation and growth, and further work needed to secure additional infrastructure loan funding. We expect the profile of this risk category to remain largely unchanged over the coming 12 months.

Mitigation and controls already in place:

- At the end of the financial year ended 31 December 2018, our Net Loan to Value was held at 12.3%.
- The significant level of sales completed during 2018 maintains strong cashflows which mean acquisitions and development spend can continue to be funded from internal cash reserves.
- During 2018 we secured a new infrastructure loan from Homes England for investment at our Harworth site. We also repaid four existing infrastructure loans during 2018, freeing up some debt capacity.
- During 2018 we extended the term of our revolving credit facility to February 2023, increased the facility from £75m to £100m with a margin increase of only 0.1%, and Santander joined RBS as lenders. We have entered into a new £45m fixed rate swap, in substitution for a swap put in place in 2017, at an all-in-rate of 3.335% (including fees) until June 2022.
- In 2018 we acquired two investment properties, Nufarm and Flaxby, which carry £3.1m of additional rental income. We have begun to recycle capital from mature investments into ones with a higher yield. In 2018 we sold our Gateway 36 site in Barnsley, a unit occupied by Costa Coffee at our Logistics North site in Bolton and Harworth Business Park, generating proceeds of sale of £20.5m.
- We have continued to undertake selective direct development on certain of our sites, both solely and in joint venture, to grow our recurring income. In 2018, this included a unit pre-let to McLaren and the next phase of our R-Evolution speculative development, both at the AMP, and the second phase of our "Multiply" speculative development, in joint venture with Lancashire County Council Pension Fund ("LCPF"), at Logistics North. There is already limited vacant space on these speculative developments.
- Our business model has evolved to include planning promotion, construction management, letting promotion and asset management for third parties. These generate income, although we recognise that they represent variable, rather than recurring income. In 2018 we were paid a £6.8m promote fee by M&G following the letting of unit LN175 at Logistics North.
- There has been investment in additional resource in the Finance team which creates greater capacity to monitor key performance indicators and cost plans.
- All covers were reviewed at the January 2019 insurance renewal, as a consequence of which a cyber security insurance policy was put in place and business interruption cover was increased.

Further actions to be taken to mitigate and manage risk:

- We intend to commence construction of a third phase of the "Multiply Logistics North" speculative development, alongside LCPF. Other direct development opportunities will be monitored.
- Development management opportunities are limited but continue to be explored.
- The proceeds of 2018 sales of mature investment property assets will be deployed on investment property acquisitions projected to bear a higher yield and the active recycling of capital by the Income Generation division will continue.
- We will continue to pursue infrastructure loans and grant funding for investment in our sites.

R5. People — Determined by exposure to largely internal factors

Commentary:

We recognise that, alongside our property portfolio, Harworth's people are its biggest asset. If we undertake inadequate resourcing and succession planning or fail to engage properly with, develop and/or retain, our people, this will have a severely adverse effect on the performance of the business and our ambitions for growth.

We also recognise the value of diversity at all levels of the business and aim to improve this progressively.

Current risk profile:	Strategic priorities potentially impacted:	Anticipated movement in risk:
M		

The "medium" risk rating of this category reflects the challenge of a modest increase in staff turnover following implementation of a regional structure, but also the opportunities it presents for career progression and the work undertaken (and ongoing) on succession planning and employee engagement.

Given the continued bedding in of the regional structure and the modest increase in staff turnover, it is anticipated that recruitment and succession will be more of a challenge over the coming months, reflected in an anticipated increase in risk rating for this category.

Mitigation and controls already in place:

- The introduction of a regional operating structure and a new senior management structure has created opportunities for career progression for existing employees. It has resulted in expansion of the overall team and greater resilience in capacity, with team structures mirrored across our three regions. Recruitment for regional roles is well advanced. The change in structure has inevitably prompted a modest increase in staff turnover, but successful recruitment campaigns have resulted in the appointment of high-quality successors.
- Notwithstanding regionalisation, Harworth still operates with a relatively small team. Whilst this can amplify capacity and "key-person" risks, it also means that the executive team can keep those risks under close and continuous review.
- During 2018 our Head of HR and Organisation Development improved our appraisal and personal development processes and undertook and presented to the Board a comprehensive succession planning review for roles throughout the business.
- The Our People section of this report on page 50 sets out the initiatives we have introduced (and more we intend to implement) to improve engagement with employees (including the establishment of our People Steering Group) and to ensure we recruit, retain and develop the right people for the business.
- There has been some modest progress in improving diversity across the business, albeit there remains a lot more work to do. There is an update on progress and initiatives on pages 51 to 53 of the Our People section of this report.

Further actions to be taken to mitigate and manage risk:

- We will recruit for the regional roles which have not yet been filled and for succession.
- We will implement the initiatives identified in the Our People section of this report which are aimed at improving engagement with employees and diversity across the business.
- Our Head of HR and Organisation Development will undertake a Group-wide review of Harworth values, with the objective of better defining those values and the Harworth culture. These in turn will be important in effective recruitment and the alignment of behaviours.

MANAGING RISK
Continued

R6. Legal and Regulatory	Determined by exposure to both external and internal factors

Commentary:

Given the nature of our operations and certain of our legacy and acquired sites, management of environmental and health and safety risks and regulatory compliance, are key components of our activities and are afforded very high priority. The Board has limited appetite for environmental risk and seeks to minimise health and safety risk as far as possible. Environmental and/or health and safety incidents and/or regulatory breaches (under the General Data Protection Regulation ("GDPR"), Bribery Act or Modern Slavery Act, for example) could result in costs, financial penalties, liabilities to third parties and/or reputational damage.

Current risk profile:	Strategic priorities potentially impacted:	Anticipated movement in risk:
L		▶

The Board has a "very low" risk appetite for legal and regulatory risks. Given the nature of the business, there is an inherent environmental and health and safety risk in the operations we undertake. This means that, whilst every effort is made to mitigate risk to the greatest extent possible, the risk scoring of this category remains "low" rather than "very low" as per our risk appetite.

Mitigation and controls already in place:

- Our Estates, Environment and Safety ("EES") team manage health and safety and environmental risks on a day-to-day basis. Page 64 of this report provides an explanation of how we manage and monitor health and safety.
- We continue to engage an external health and safety consultant, JPW Consulting Limited, to advise on health and safety matters, undertake site risk inspections, and manage health and safety on our consortium sites (i.e. where multiple contractors are undertaking work).
- Our Environmental Manager has completed his Waste Management Industry Training and Advisory Board ("WAMITAB") qualification and, as a result, manages our waste licences in-house, with assistance from external consultants and contractors where appropriate. We regularly review, amend, and surrender permits as sites mature or activities change. There were some further permit surrenders during 2018.
- Quarterly health and safety meetings are chaired by the Chief Executive and attended by heads of all regional and central teams at which incident de-briefings are undertaken, common issues are discussed (and actions agreed) and best practice is shared.
- We maintain an open dialogue with the Environment Agency ("EA") about all of our permitted sites. If issues arise, we take quick and proactive steps to address them, in collaboration with the EA.
- We also work closely with the Health and Safety Executive, particularly in relation to the sites we operate as quarries or are demolishing.
- We implemented a number of policies, controls and processes to ensure compliance with the GDPR ahead of its coming into force on 25 May 2018. All employees have been briefed on the importance of data protection compliance.
- Mandatory online training was delivered to all staff in the second half of 2018 on the avoidance of modern slavery, bribery and facilitation of tax evasion, and whistleblowing. This coincided with the introduction of a new and more robust whistleblowing policy and procedure.

Further actions to be taken to mitigate and manage risk:

- The structure and composition of the EES team will remain subject to review to ensure that it evolves, in terms of skillset and experience, with the estate management needs of our portfolio.
- Another Group-wide safety training day will take place in the summer, attendance at which will be mandatory.
- From this year, our Audit Committee will review annually the effectiveness of the measures in place to ensure compliance with the GDPR.

R7. Governance and Internal Controls	Determined by exposure to largely internal factors

Commentary:

Deficiencies in our governance measures and/or internal controls and processes (including cyber and information security measures) could lead to inefficiencies, financial underperformance, or even financial loss and/or liability.

Current risk profile:	Strategic priorities potentially impacted:	Anticipated movement in risk:
M		

The "medium" risk scoring for this category is higher than the Board's "low" risk appetite. This reflects that the Group has identified that its framework of internal controls and processes and internal reporting regime needs to evolve to respond to the regionalisation of the business. We expect this category to revert to a "low" risk status over the coming months as controls and processes are embedded into the regional structure, and certain other initiatives connected to cyber and information security are implemented.

Mitigation and controls already in place:

- We comply with the UK Corporate Governance Code on a comply or explain basis, with explanations for only limited instances of non-compliance in our Annual Report. Our high standards of governance were reflected in the Financial Position and Prospects Procedures ("FPPP") report prepared by PricewaterhouseCoopers LLP ("PwC") ahead of the Company's step up to the premium list, which identified that relatively few adjustments to the Company's existing governance framework were required for the step up.
- Our Delegated Authorities Policy was reviewed and updated in November to reflect the new regional and senior management structure. This was accompanied by new controls and processes for the execution of documents and approval of purchase orders.
- External reviews of certain of our internal controls and processes were undertaken by KPMG in November 2017 and PwC in the first quarter of 2018 (as to which see the Audit Committee report on pages 97 and 98). All recommendations from those reviews have been implemented. The Audit Committee undertakes annually a review of the effectiveness of internal controls and processes.
- External reviews of cyber and information security were undertaken in 2018. All technical recommendations have been implemented. Implementation of strategic recommendations, including the appointment of an information security manager, are being implemented. From this year, the Audit Committee will undertake an annual review of the effectiveness of controls and processes in place for cyber and information security.
- Business continuity and IT incident response plans are now in place.
- A new and more robust whistleblowing policy and procedure was implemented during 2018.

Further actions to be taken to mitigate and manage risk:

- Our internal controls and processes will remain subject to ongoing review, including external audits on an annual basis, to ensure they remain "fit for purpose" as the business grows and delivers via a regional structure and across a growing portfolio. This will continue to include an annual review by the Audit Committee as to whether the business should establish an internal audit function. Such a function does not currently exist because, to date, the executive and the Audit Committee has concluded that the business is neither large, nor complex, enough to warrant it.
- Work is ongoing to evolve our framework of internal controls and processes and internal reporting regime to respond to the new regional operating structure. This will progress, and the framework will be embedded into the regional structure, during 2019.
- Measures will be implemented during the year to improve cyber and information security, following the recommendations from external reviews undertaken in 2018. Implementation will be led by a newly appointed information security manager.
- Desktop tests will be undertaken of our business continuity and IT incident response plans.

MANAGING RISK
Continued

R8. Communications and stakeholder management	Determined by exposure to both internal and external factors

Commentary:

Working with a broad spectrum of stakeholders is fundamental to our business activities and performance. If we do not communicate properly with our investors and maintain strong relationships with all stakeholders this will lead to underperformance, both operationally and of our share price.

Current risk profile:	Strategic priorities potentially impacted:	Anticipated movement in risk:
L		▶

The "low" risk profile of this category reflects the extensive work undertaken: to improve our investor relations programme; and to review our engagement with stakeholders and formalise the way we consider stakeholder interests when making strategic and significant operational decisions. We expect the profile of this risk category to remain largely unchanged over the coming 12 months.

Mitigation and controls already in place:

- We continue to work to improve our communications with investors. A communications tracker is maintained fortnightly to ensure external communications remain timely and appropriate and subject to a planned programme. Increased investor relations activity in 2018 included a briefing and site visit for current and prospective institutional investors and analysts, which will be repeated in 2019.
- The responsibility for local authority relationships has now been placed directly with our regional and central planning promotion and development management teams, whilst our Head of Communications and Investor Relations, now based in London, remains our principal point of contact with Central Government.
- The Board undertook a detailed stakeholder mapping and engagement review exercise in October. This will be repeated annually. One output from this review was a change to the format of Board presentations on proposed transactions, which now include sections on stakeholder interests and engagement.
- We have actively engaged with shareholders about the proposed changes to our Remuneration Policy.
- We have increased our engagement with Homes England which will play an increasingly important role in the acceleration of delivery of certain of our sites.
- Please see the Our Partners section of this report on pages 56 to 63 for more detailed explanation of the means by which we identify, engage with, and consider the interests of our stakeholders. Measures have been implemented to improve engagement between the Board and employees. Please see the Our People section of this report on pages 50 to 53 for more details.

Further actions to be taken to mitigate and manage risk:

- Significant planning promotion and consultation exercises will continue in relation to our Ironbridge and Wingates sites, amongst others.
- Our engagement with stakeholders will be subject to Board review annually. Internal communications will remain subject to regular review.