

## Risks and uncertainties facing the business

Given the scale and diversity of our businesses, the Board of Directors recognises that the nature, scope and potential impact of our key business and strategic risks are subject to constant change. The Board has implemented an appropriate framework to ensure that it has sufficient visibility of the Group's key risks and the opportunity regularly to review the adequacy and effectiveness of the controls and strategies for managing and mitigating these risks.

The Corporate governance report on pages 30 to 35 describes the systems and processes through which the Board manages and mitigates risks.

Our consideration of the key risks and uncertainties relating to the Group's operations, along with their potential impact and the mitigating factors in place, is set out below. It is not possible to mitigate fully all of our risks and there may be other risks and uncertainties besides those listed below which may also adversely affect the Group.

Key risk	Description	Mitigating factors
<b>Changes in the markets in which we operate</b>	<ul style="list-style-type: none"> <li>→ Market conditions globally remain challenging. The restrictions on credit availability are ongoing and these, along with a shortage of quality assets for sale, continue to constrain many of the key global real estate markets, and particularly reduce the volume of commercial real estate transactions with the resultant adverse impact on our capital markets businesses and overall Group earnings. If these conditions continue for an extended period, or deteriorate again, Group earnings and/or our financial condition could be adversely affected.</li> </ul>	<ul style="list-style-type: none"> <li>→ Our strategy of diversity of product and geographic spread continues to reduce the impact on the business of continued weak market conditions experienced since 2008, these factors cannot mitigate the overall risk to earnings. To offset these risks, we have implemented appropriate actions to improve operational efficiencies and reduce costs, whilst balancing the requirements for cost reduction against the need to retain core team strength in order to maintain client services and capitalise when conditions improve. We have also continued to invest selectively in our business where new opportunities present themselves such as property management and fund management which provide more stable earnings.</li> <li>→ Our continual monitoring of market conditions and review of market changes against our Group strategy, supported by the quarterly reforecasting undertaken by all of our businesses, remain key to our ability to respond rapidly to further changes in our operating environment.</li> </ul>
<b>Achieving the right market positioning in response to the needs of our clients</b>	<ul style="list-style-type: none"> <li>→ The markets in which we operate remain highly competitive and we need to ensure that we continue to reflect the changing needs of our clients.</li> </ul>	<ul style="list-style-type: none"> <li>→ To remain competitive in all markets it is imperative that we continue to provide the quality of client care and service that our clients expect from us. This need drives our strategy to continue to strengthen the services offered by the Group, which has served us well in our currently unsettled markets, and invest in the development of client relationships.</li> <li>→ The maintenance of our geographic capabilities during this period of weakened market conditions is aligned with our focus on further developing our service capabilities in the major global markets in which we operate.</li> </ul>
<b>Reputational and brand risk</b>	<ul style="list-style-type: none"> <li>→ Savills is a brand with an excellent reputation in the principal markets in which we operate.</li> <li>→ We recognise the need to maintain our reputation as a quality brand and ensure the quality of the service we provide.</li> </ul>	<ul style="list-style-type: none"> <li>→ We recognise that our brand strength is vital to maintaining market share and expanding into new markets. To this end, we have a brand management programme in place to ensure the brand's positioning, identity and personality is clearly and consistently promoted.</li> <li>→ We recognise that the quality of the service we offer is vital to maintaining the brand and to this end we have in place controls and processes to ensure quality assurance.</li> </ul>

Key risk	Description	Mitigating factors
<p><b>Recruitment and retention of high calibre staff</b></p>	<p>→ We recognise that our ability to deliver our strategy is dependent on us attracting, developing, motivating and retaining people of the highest quality. This is fundamental to the future success of our business. Whilst we pride ourselves on our reputation for excellence as an employer and our profit-sharing approach to remuneration, which incentivises and rewards out-performance, we recognise that this model can come under pressure in periods of lower Group earnings.</p>	<p>→ During 2009 we continued our investment in talent management and development programmes across a number of our businesses and the global roll-out of the Savills Values.</p> <p>→ To augment our profit-sharing approach to remuneration, we make selective use of share based and other longer term incentives to ensure that our people are incentivised to continue to perform at the established high levels during periods when market conditions hold back our performance.</p>
<p><b>Maintaining standards of professional, regulatory and statutory compliance</b></p>	<p>→ We are required to meet a broad range of regulatory compliance requirements in each of the markets in which we operate. For example, in the UK, the Financial Services Authority (FSA) regulates the conduct of Savills Private Finance, Savills Capital Advisors and Cordea Savills, and the insurance mediation businesses in our Commercial businesses. In addition, the UK Office of Fair Trading regulates our Residential business in the UK. A number of the services we provide through our Commercial and Residential businesses are also regulated by The Royal Institution of Chartered Surveyors (RICS). Also, a number of our employees are qualified members of RICS. Failure to satisfy regulatory compliance requirements may result in fines being imposed, adverse publicity and brand reputational damage and ultimately the withdrawal of regulatory approvals.</p> <p>→ We also have a number of key statutory obligations including the protection of the health, safety and welfare of our employees and others affected by our activities.</p>	<p>→ All areas relating to professional, regulatory and statutory compliance have benefitted by the continuing update of our Group Policy Framework which defines the compliance standards we expect from our businesses. In support of this Framework each of our businesses have their own regulatory and statutory compliance resources in place and they maintain the internal processes and controls required to fulfil our compliance obligations. Our compliance environment, at all levels, is subject to regular review by internal audit and other assurance providers.</p>
<p><b>Legal risk</b></p>	<p>→ In accepting client engagements, group companies may be subject to standard of care obligations. Failure to fulfil these obligations could result in claims being made against the relevant group company and/or its employees.</p> <p>→ In our Property Management business, we may assume responsibility for appointing and/or supervising third party contractors that provide construction and engineering services for our managed properties. Again failure to discharge these responsibilities in accordance with our obligations could result in claims being made against the group companies.</p>	<p>→ The Group legal policy is designed to ensure that legal risk of such claims being made in the markets in which we operate, is minimised particularly in relation to consultancy services such as valuations. Whilst the Group maintains professional indemnity insurance to respond to such claims, the funding of, for example, the self insured amount of any claim ie, the policy deductible or the adverse outcome of claims in excess of the policy indemnity levels could negatively impact our financial condition or results.</p>
<p><b>Responding to political risks in the countries in which we operate globally</b></p>	<p>→ Our continued geographic expansion means that our success depends in part on understanding and responding to the changing political and legislative conditions in the many countries around the world in which we do business.</p>	<p>→ Extensive market research and due diligence is conducted before we enter new markets. Developments in all our markets are kept under ongoing review and the requirements of the Group Risk Management Policy, specifically the need to regularly evaluate the key risks in each market that we operate in, extend to all of our businesses globally.</p>
<p><b>Managing our financial risks</b></p>	<p>→ For all areas of financial risk we have an established financial control framework with clear responsibilities for operational and finance teams at all levels of the Group.</p>	<p>→ The key financial risks and uncertainties are covered in the Financial Review on pages 16 and 17.</p>