OUR PRINCIPAL RISKS AND UNCERTAINTIES

The Board has overall responsibility for our risk management and internal controls, with the Audit Committee reviewing the effectiveness of our risk management process on its behalf.

We aim to operate in a low risk environment, focusing on a single sub-sector of the UK real estate market with the aim of delivering an attractive, growing and secure income for Shareholders, together with the opportunity for capital appreciation. The Board therefore recognises that effective risk management is key to the Group's success. Risk management ensures a defined approach to decision making that seeks to decrease the uncertainty surrounding anticipated outcomes, balanced against the objective of creating value for Shareholders.

Approach to managing risk

Our risk management process is designed to identify, evaluate and mitigate (rather than eliminate) the significant risks we face. The process can therefore only provide reasonable, and not absolute, assurance. As an investment company, we outsource key services to the Manager, the Administrator and other service providers, and rely on their systems and controls.

At least twice a year, the Board undertakes a formal risk review with the assistance of the Audit Committee, to assess the effectiveness of our risk management and internal control systems. During the course of these reviews, the Board has not identified or been advised of any failings or weaknesses which it has determined to be material.

Principal risks and uncertainties

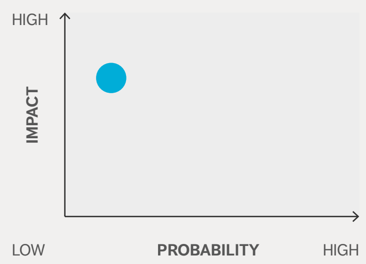
Our principal risks and uncertainties are set out below. They have the potential to affect materially our business, either favourably or unfavourably. Some risks may currently be unknown, while others that we currently regard as immaterial, and have therefore not been included here, may turn out to be material in the future.

PROPERTY RISKS

Default of one or more of our tenants.

IMPACT The default of one or more of our tenants would immediately reduce revenue from the relevant asset(s). If the tenant cannot remedy the default and we have to evict the tenant, there may be a continuing reduction in revenues until we are able to find a suitable replacement tenant, which may affect our ability to pay dividends to Shareholders.

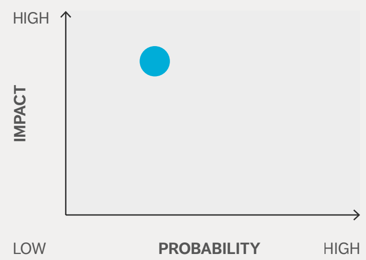
MITIGATION Our investment policy limits our exposure to any one tenant to 20% of gross assets or, where tenants are members of the FTSE, up to 30% each for two such tenants. This prevents significant exposure to a single retailer. To mitigate geographical shifts in tenants' focus, we invest in assets in a range of locations, with easy access to large ports and key motorway junctions. Before investing, we undertake thorough due diligence, particularly over the strength of the underlying covenant. We select assets with strong property fundamentals (good location, modern design, sound fabric), which should be attractive to other tenants if the current tenant fails. In addition, we focus on assets let to tenants with strong financial covenant strength in assets that are strategically important to the tenant's business.



The performance and valuation of our property portfolio.

IMPACT An adverse change in our property valuations may lead to a breach of our banking covenants. Market conditions may also reduce the revenues we earn from our property assets, which may affect our ability to pay dividends to Shareholders. A severe fall in values may result in us selling assets to repay our loan commitments, resulting in a fall in our NAV.

MITIGATION Our property portfolio is 100% let, with long unexpired weighted average lease terms and an institutional-grade tenant base. All the leases contain upward-only rent reviews, which are either fixed, RPI/CPI linked or at open market value. These factors help maintain our asset values. We have agreed banking covenants with appropriate headroom and manage our activities to operate well within these covenants. We constantly monitor our covenant headroom on LTV and interest cover. This headroom is currently substantial.

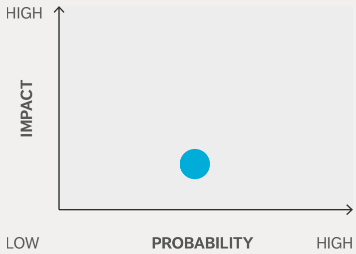


PROPERTY RISKS CONTINUED

Our ability to grow the portfolio may be affected by competition for investment properties in the Big Box sector.

IMPACT Competitors in the sector may be better placed to secure property acquisitions, as they may have greater financial resources, thereby restricting our ability to grow our NAV.

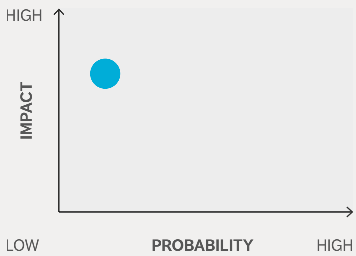
MITIGATION We have extensive contacts in the sector and often benefit from off-market transactions. We also maintain close relationships with a number of investors and developers in the sector, giving us the best possible opportunity to secure future acquisitions. We are not exclusively reliant on acquisitions to grow the portfolio. Our leases contain upward-only rent review clauses and we have a number of asset management initiatives within the portfolio, which means we can generate additional income and value from the existing portfolio.



Our property performance will depend on the performance of the UK retail sector and the continued growth of online retail.

IMPACT Our focus on the Big Box sector means we directly rely on the distribution requirements of UK retailers. Insolvencies among the larger retailers and online retailers could affect our revenues and property valuations.

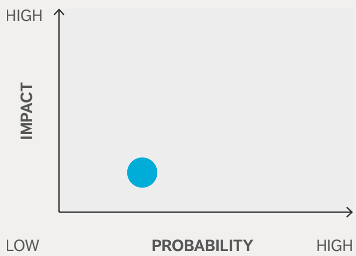
MITIGATION The diversity of our institutional-grade tenant base means the impact of default of any one of our tenants is low. In addition to our due diligence on tenants before an acquisition or, in the case of forward funded developments, before agreeing the lease terms, we regularly review the performance of the retail sector, the position of our tenants against their competitors and, in particular, the financial performance of our tenants.



Development activities are likely to involve a higher degree of risk than associated with standing assets.

IMPACT Our forward funded developments are likely to involve a higher degree of risk than is associated with standing assets. This could include general construction risks, delays in the development or the development not being completed, cost overruns or developer/contractor default. If any of the risks associated with our forward funded developments materialised, this could reduce the value of these assets and our portfolio.

MITIGATION Only five of our 25 assets are forward funded assets, representing 24.7% of the value of our portfolio (on a completed basis). All of these assets are pre-let to institutional-grade tenants. Any risk of investment into forward funded projects is minimal, as the developer takes on a significant amount of construction risk and the risk of cost over-runs. Funds for these developments remain with us and are only released to the developer on a controlled basis subject to milestones as assessed by our professional surveyors.

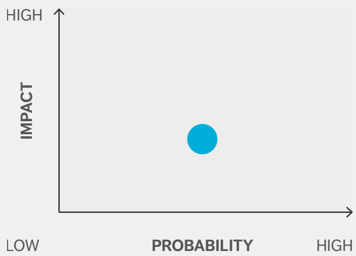


FINANCIAL RISKS

Our use of floating rate debt will expose the business to underlying interest rate movements.

IMPACT Interest on our debt facilities is payable based on a margin over Libor. Any adverse movements in Libor could significantly impair our profitability and ability to pay dividends to Shareholders.

MITIGATION We have entered into interest rate derivatives to hedge our direct exposure to movements in Libor. These derivatives cap our exposure to Libor rises and have terms coterminous with the loans. We aim, where reasonable, to minimise the level of unhedged debt with Libor exposure, by taking out hedging instruments with a view to keeping variable rate debt approximately 90%+ hedged.



A lack of debt funding at appropriate rates may restrict our ability to grow.

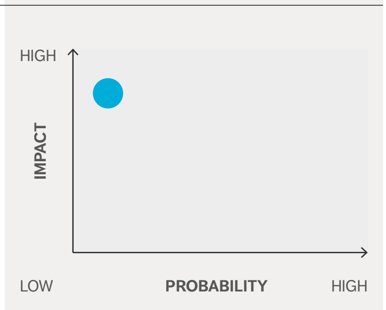
IMPACT Without sufficient debt funding, we may be unable to pursue suitable investment opportunities in line with our investment objectives. If we cannot source debt funding at appropriate rates, either to increase the level of debt or re-finance existing debt, this will impair our ability to maintain our targeted level of dividend.

MITIGATION Before we contractually commit to buying an asset, we enter into discussions with our lenders to get an outline heads of terms on debt financing. This allows us to ensure that we can borrow against the asset and maintain our borrowing policy. The Board keeps our liquidity and gearing levels under review. We only enter into forward funding commitments if they are supported by available funds. In October 2015, we arranged a £500 million five year secured debt facility with a syndicate of four lenders. We had headroom of £150 million within the facility at the year end. This has created new banking relationships for us, which helps keep lending terms competitive.

We must be able to operate within our banking covenants.

IMPACT If we were unable to operate within our banking covenants, this could lead to default and our bank funding being recalled.

MITIGATION We continually monitor our banking covenant compliance, to ensure we have sufficient headroom and to give us early warning of any issues that may arise. Our LTV is low and we enter into interest rate caps to mitigate the risk of interest rate rises and also invest in assets let to institutional-grade tenants.

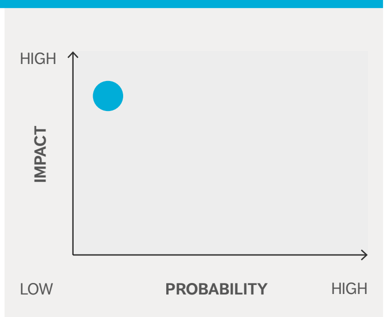


CORPORATE RISK

We rely on the continuance of the Manager.

IMPACT We continue to rely on the Manager's services and its reputation in the property market. As a result, our performance will, to a large extent, depend on the Manager's abilities. Termination of the Investment Management Agreement would severely affect our ability to effectively manage our operations.

MITIGATION Unless there is a default, either party may terminate the Investment Management Agreement by giving not less than 12 months' written notice, which may not be given before the fourth anniversary of the IPO. The Management Engagement Committee regularly reviews and monitors the Manager's performance. In addition, the Board meets regularly with the Manager, to ensure we maintain a positive working relationship.



TAXATION RISK

We are a UK REIT and have a tax-efficient corporate structure, with advantageous consequences for UK Shareholders. Any change to our tax status or in UK tax legislation could affect our ability to achieve our investment objectives and provide favourable returns to Shareholders.

IMPACT If the Company fails to remain a REIT for UK tax purposes, our profits and gains will be subject to UK corporation tax.

MITIGATION The Board is ultimately responsible for ensuring we adhere to the UK REIT regime. It monitors the REIT compliance reports provided by:

- the Manager on potential transactions;
- the Administrator on asset levels; and
- our Registrar and broker on shareholdings.

The Board has also engaged third-party tax advisers to help monitor REIT compliance requirements.