Our Principal Risks and Uncertainties

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

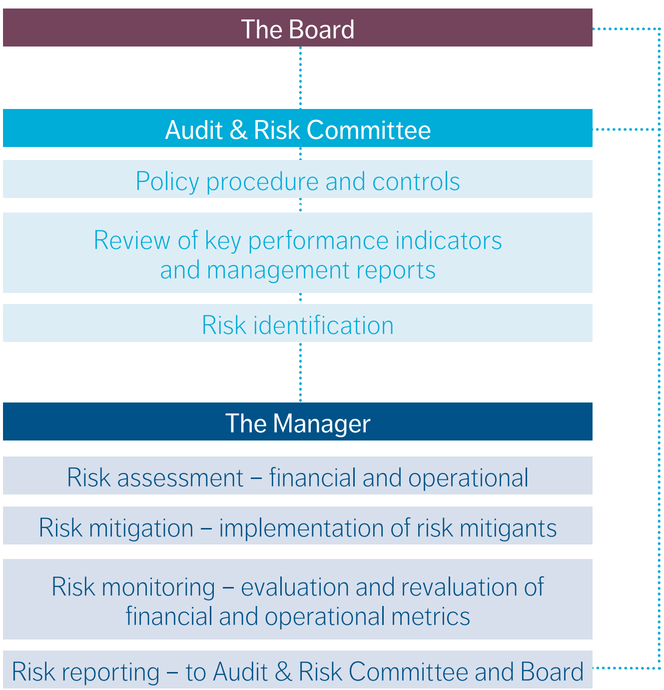
We aim to operate in a low-risk environment, focusing on a single subsector of the UK real estate market to deliver an attractive, growing and secure income for Shareholders, together with the opportunity for capital appreciation. The Board recognises that effective risk management is key to the Group's success. Risk management ensures a defined approach to decision making that decreases 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 & Risk Committee, to assess the effectiveness of our risk management and internal control systems. During these reviews, the Board has not identified or been advised of any failings or weaknesses which it has determined to be material.

Risk management framework



Risk appetite

We have a specific Investment Policy, which we adhere to and for which the Board has overall responsibility. In November 2018, Shareholders approved a change to the Investment Policy the principal effect of which was to increase the level of exposure the Company can have to land and options over land and, within that, to allow for a limited level of speculative development. Our exposure to land can be up to 15% of gross asset value, of which up to 5% can be invested in speculative development.

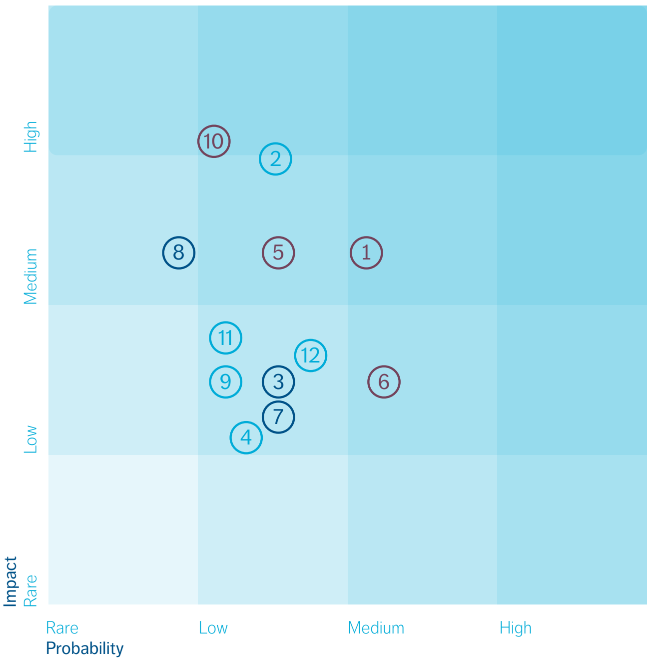
We have a specific Investment Policy, which we adhere to and for which the Board has overall responsibility.

Principal risks and uncertainties

Further details of our principal risks and uncertainties are set out on pages 61-67. They have the potential to materially affect our business, either favourably or unfavourably. Some risks are currently unknown, while others that we currently regard as immaterial, and have therefore not included here, may turn out to be material in the future. Most of the principal risks are the same as detailed in the 2017 Annual Report, with the key changes relating to the increase in development activity following the change to our Investment Policy in November 2018 and the subsequent acquisition of db symmetry in February 2019.

For Our Investment Policy, see Our Objectives and Strategy on pages 20-21

Principal risks



The matrix above illustrates our assessment of the impact and probability of the principal risks identified. The rationale for perceived increases or decreases in the risks identified is contained within the commentary for each risk category.

The Board considers these risks have increased since last year

1 Default of one or more tenants
5 Development activities are likely to involve a higher degree of risk than investment in standing investments
6 The purchase of land may involve a higher degree of risk than that associated with existing and built investments or pre-let development activities
10 We rely on the continuance of the Manager

The Board considers all the other risks to be broadly unchanged from last year

2 The performance and valuation of the property portfolio
4 Our property performance will depend on the performance of the UK retail sector, specifically the continued growth of online retail
9 We must be able to operate within our banking covenants
11 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
12 The vote to leave the EU in June 2016 could result in political and/or economic uncertainty that could have a negative effect on the performance of the Company

The Board considers these risks have decreased since last year

3 Our ability to grow the portfolio may be affected by competition for investment properties in the Big Box sector
7 Our use of floating rate debt will expose the business to underlying interest rate movements
8 A lack of debt funding at appropriate rates may restrict our ability to grow

Property risks

1 Default of one or more tenants

Probability: moderate

Impact: moderate

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 Customer. 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, while continuing to monitor the covenant strength once forming part of the portfolio. 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 that are strategically important to the tenant's business. Our maximum exposure to any one tenant (calculated by contracted rental income) is less than 13.7% as at 31 December 2018.

See Asset Management pages 40-45

Property risks continued

2 The performance and valuation of the property portfolio

Probability:
low

See Asset Management pages 40-45

Impact:
moderate to high

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

As at 31 December 2018, our property portfolio was 100% let or pre-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, gearing and interest cover. The level of headroom is currently significant. The EMTN has less restrictive covenants.

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

Probability:
low

See Our Objectives and Strategy pages 20-21

Impact:
low

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. In particular, our acquisition of db symmetry in February 2019 has secured a pipeline of development opportunities for the longer term.

Our leases contain upward-only rent review clauses and we have a number of current asset management initiatives within the portfolio, which means we can generate additional income and value from the existing portfolio. We are, however, disciplined in our investment of capital and will not pay a price which we believe is above market value, just to secure a purchase, nor will we commit funds to the development of a larger scale Big Box on a speculative basis.

4 Our property performance will depend on the performance of the UK retail sector, specifically the continued growth of online retail

Probability:
low

See The Logistics Property Market pages 16-17

Impact:
low

Our focus on the Big Box sector means we rely directly 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. E-commerce is expected to grow to 25.8% of UK retail sales by 2021. Which is driving strong occupational demand across the sector.

5 Development activities are likely to involve a higher degree of risk than investment in standing investments

Probability:
low to medium

See The Logistics Property Market pages 16-17

See Our Objectives and Strategy pages 20-21

Impact:
medium

Our development activities are likely to involve a higher degree of risk than is associated with standing investments. This could include general construction risks, delays in the development or the development not being completed, cost overruns or developer/contractor default. Inaccurate assessment of a development opportunity or a decrease in tenant demand, particularly in relation to any speculative developments, could result in the development remaining vacant.

If any of the risks associated with our developments materialised, this could reduce the value of these assets and our portfolio.

Mitigation

The Company had seven forward funded development assets, totalling 6.6 million sq ft, under construction as at 31 December 2018. 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 overruns. 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 independent project monitoring surveyors (see also risk below on land and development activities). Post the period end, the Company acquired the db symmetry portfolio of land assets which included a further five smaller scale logistics assets under construction, totalling c. 600,000 sq ft, which are being developed space on a speculative basis. It is not anticipated that larger scale Big Boxes will be speculatively developed on any of the other schemes acquired. The vertical construction of any future developments will be subject to securing pre-let agreements except where small scale speculative development is considered appropriate.

Property risks continued

6 The purchase of land may involve a higher degree of risk than that associated with existing and built investments or development activities

Probability:
medium

Impact:
low

The inability to obtain planning consent means that the land would have to be held or sold prior to any development. The value of the land may be reduced due to the refusal of planning consent and the costs incurred to that date could be significant and may be irrecoverable; this would reduce the Company NAV. If the Company fails to attract a suitable pre-let it cannot proceed with the development of a Big Box. This would impact on the future revenues the Company could make from the land and failure to secure a pre-let may have a negative effect on the valuation.

Postponement or cancellation of a development may result in the Group holding too much development land which may dilute returns due to capital being invested into non-income producing assets.

The land may be subject to an environmental risk which requires significant investment to remediate prior to commencing the development works.

The costs associated with developing land may fluctuate over the course of the development due to market conditions.

Mitigation

The purchase of land is subject to a maximum level of 15% of gross assets, at the time of purchase. The Company can also only undertake limited speculative development of buildings although it can undertake land preparation works but we will continue to seek a pre-let prior to commencing the vertical construction of a larger scale Big Box.

The acquisition of db symmetry in February 2019 has provided us with access to one of the UK's largest strategic land portfolios for the development of Big Box real estate assets and related logistics facilities, including land and options over land. The db symmetry assets have been subjected to due diligence by the Company but prior to the exercise of any option to acquire any land, the Company will carry out an extensive due diligence exercise to limit exposure to environmental risk and other hazards. Once a pre-let is agreed with a suitable tenant, the Company will structure the development of the asset as it does its forward funded development projects, therefore minimising risk (see risk above on development activities). The Company also undertakes a significant level of due diligence on the land, the surrounding power and highways infrastructure, the surrounding environment and the state of the market prior to embarking on a land purchase to mitigate any risk around the viability of the site for development as much as possible. The Company will usually also work in tandem with an experienced and respected development partner to manage any preparatory works and/or development. Upon completion of the acquisition of db symmetry, the Company entered into an agreement with db symmetry Management Limited, which will manage the development of these assets, in particular.

See The Logistics Property Market pages 16-17

See Our Objectives and Strategy pages 20-21

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

Probability:
moderate

Robust financing and hedging with strong liquidity pages 46-49

Impact:
low

Interest on our variable rate 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

The Company has entered into interest rate derivatives to hedge our direct exposure to movements in Libor. These derivatives cap our exposure to the level to which Libor can rise 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. During 2018, we agreed a significant amount of fixed-rate debt further reducing our exposure to Libor, currently represents only 27% of our committel debt facilities.

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

Probability:
low

Robust financing and hedging with strong liquidity pages46-49

Impact:
moderate

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 refinance existing debt, this will impair our ability to maintain our targeted level of dividend or impair our ability to grow.

Mitigation

During the year the Company agreed further long-term unsecured borrowings. This is in addition to the EMTN which should enable the Company to raise future debt in a more efficient and effective manner on an unsecured basis. The Board keeps our liquidity and gearing levels under review. We only enter into forward funding or other development commitments if they are supported by available uncommitted funds. In December 2018, we agreed a £400m senior unsecured fixed-rate loan note which was drawn in February 2019. We also extended the maturity of £325 million of our £350 million unsecured revolving credit facility by one year. We had headroom of £229 million within the £350 million credit facility at the year end. Whilst our £250 million short-term RCF remained undrawn.

9 We must be able to operate within our debt covenants

Probability:
low

Depository Statement page 89

Impact:
low

If we were unable to operate within our debt covenants, this could lead to default and our debt funding being recalled. This may result in us selling assets to repay loan commitments, resulting in a fall in NAV.

Mitigation

We continually monitor our debt 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. During 2018, we moved closer to a predominantly fixed-rate debt platform through the agreement or issue of further fixed-rate debt. This will mitigate the effect on the Company from interest rate rises. We invest in assets let to institutional-grade tenants and we also seek to maintain a long WAULT, which should reduce the volatility in our property values.

Property risks continued

10 We rely on the continuance of the Manager

Probability:
low

Impact:
moderate to high

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

Mitigation

Unless there is a default, either party may terminate the Investment Management Agreement by giving not less than 24 months' written notice, which may not be served before 31 December 2019.

The Development Management Agreement has a minimum term of eight years from February 2019 and is terminable by the Group on 12 months' written notice thereafter. The DBS management team is incentivised to progress the developments through their 13% economic interest in Tritax Symmetry Limited.

The Management Engagement Committee regularly reviews and monitors the Manager's performance and, going forward, will review the performance of db symmetry Management Limited in relation to development activities. In addition, the Board meets regularly with the Manager, to ensure it maintains a positive working relationship and this relationship will extend to the DBS management team.

See Our Objectives and Strategy pages 20-21

See Management Engagement Committee Report pages 94-97

Taxation risk

11 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

Probability:
low

See The Logistics Property Market pages 16-17

See Our Objectives and Strategy pages 20-21

Impact:
low to moderate

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.

Political risk

12 The vote to leave the EU could result in political and/or economic uncertainty that could have a negative effect on the performance of the Company

Probability:
low

Robust financing and hedging with strong liquidity pages 46-49

Impact:
low to moderate

The UK has triggered Article 50, which sets the expected date of the UK's departure from the EU in March 2019. Economic volatility is not a new risk for the Group; however, until the terms of Brexit become clearer the exact outcome for the business is difficult to predict at this stage.

Mitigation

The Group operates with a sole focus on the UK Big Box market which has a significant supply shortage against current levels of demand; this will assist in supporting property capital values. It is currently well positioned with long and secure leases and a diverse blue-chip tenant line up, with a focus on tenants with financial strength, which are well positioned to withstand any downturn in the UK economy.