

Corporate
Governance
Report

The Board is responsible to shareholders for the management and control of the Company's activities and is committed to high standards of Corporate Governance. During the last couple of years the Board has conducted an ongoing review of its corporate governance policies and procedures inter alia to reflect the impact of the Higgs Review of the Role and Effectiveness of Non-Executive Directors, the Smith Report on Audit Committees and the revised Code issued in July 2003 (the "Code"). The Board is also aware of the current consultation being conducted in respect of the Code and will consider the need for any further review once the consultation has concluded in April 2006.

Compliance

The Board considers that, throughout the period under review, with the exception of one area detailed below (see Board Composition and Balance), the Company has complied with the provisions recommended in section 1 of the Code which applies to the financial period that is the subject to this Annual Report.

Board Composition and Balance

The Board comprises a Non-Executive Chairman, three Independent Non-Executive Directors, two other Non-Executive Directors and five Executive Directors.

The posts of Chairman and Group Chief Executive are separated. The Chairman is responsible for the workings and leadership of the Board and for the balance of its membership.

The Chief Executive is responsible for leading and managing the business within the authorities delegated by the Board. The biographies of the current Board members appear on pages 27 and 28. The Board considers that there is an appropriate balance between Executive and Non-Executive Directors and that no individual or small group of individuals dominates the Board's decision taking. The Non-Executive Directors have a wide range of business experience and expertise and provide a strong independent element on the Board. Timothy Ingram, Fields Wicker-Miurin and Charles McVeigh are independent Non-Executive Directors. The remaining two Non-Executive Directors are corporate representatives of Trammell Crow Company, a major share holder and as such may not be considered independent for the purposes of the Code. During the year, the Company became a member of the FTSE 250. The Board, therefore is not currently compliant with A.3.2 of the Code which requires that at least half the Board, excluding the Chairman, comprises independent Non-Executive Directors. Also, mindful of the need to consider succession planning, the Board has commenced a search and selection process to identify an additional independent Non-Executive Director to join the Board.

Functioning of the Board

The Directors receive management information, including financial, subsidiary and strategic reports, in advance of the Board meetings. During the year the Board held nine regular meetings. Attendance by Directors at meetings is outlined in the Attendance of Meeting table on page 37. When unable to be

present in person, the two Non-Executive Directors based in America and Robert McKellar who is based in Asia attend by audio or video-conference. When Directors are not able to attend Board or Committee meetings, their comments on the papers to be considered at that meeting are relayed in advance to the relevant Chairman. The Board has adopted a formal schedule of matters specifically referred to it for decision. These matters reserved for the Board include:

- approval and management of Group Corporate strategy;
- review of Group Policies and Codes of Conduct;
- approval of the annual operating and capital expenditure budgets and any material changes;
- review of performance, assessed against the Group's strategy, objectives, business plans and budgets;
- approval of interim and preliminary announcements and the annual report and accounts;
- approval of the dividend policy;
- approval of any significant changes in accounting policies or practices;
- extension of the Group's activities into new/other geographic areas;
- approval of any significant acquisitions or investments;
- any decision to divest any Group business;
- delegation of the appropriate authorities and agreeing terms of reference for its various committees; and
- the appointment of new directors.

The Non-Executive Directors meet separately at least twice each year without the presence of the Executive Directors and also meet without the Chairman.

There is an approved procedure for Directors to take independent professional advice at the Group's expense, if necessary. In addition, all the Directors have access to the advice and services of the Company Secretary.

Board Committees

The Board has delegated certain authorities to committees each with formal terms of reference. The terms of reference for the Audit, Appointments and Remuneration Committees are available on request and are also available on the Company's website www.savills.com. The members of each committee are indicated on pages 27 and 28. The principal committees of the Board are as follows:

Appointments Committee

The Committee consists of the three independent Non-Executive Directors and the Chairman. The Committee is chaired by Peter Smith. The Committee meets as required to nominate candidates for the approval of the Board to fill vacancies or new positions on the Board of Directors and to make recommendations to the Board on its composition and balance.

During the year, the Board commenced a thorough selection process for the appointment of an additional Non-Executive Director and external consultants were appointed to assist in this process. The Board delegated responsibility for the process to the Appointments Committee. This process is currently ongoing and the Appointments Committee will make their recommendation in due course. New Directors receive appropriate briefing on their role and responsibilities and on Board procedures.

The Company's Articles of Association provide that Directors must submit themselves for re-election every three years and that newly appointed Directors must submit themselves for re-election at the first Annual General Meeting after their appointment. In making recommendations to shareholders for the reappointment of any Director, the Appointment Committee considers that Director's performance and ongoing contribution to the success of the Company and makes its relevant recommendation to the Board.

Audit Committee

The Committee consists of the three Independent Non-Executive Directors. The Committee is chaired by Fields Wicker-Miurin and meets at least three times a year to consider the scope and results of the annual audit and interim review, to receive

and consider reports from both the Internal Auditor and Group's external auditors, to consider the adequacy of the Group's internal controls and risk management and to assess the auditors' performance. The Committee considers on an ongoing basis the independence of the external auditors and has established policies to consider the appropriateness or otherwise of appointing the external auditors to perform non-audit services. The Group Chief Executive and Financial Controller may be invited to attend meetings of the Committee, but are not members. The Committee determines that its various members bring appropriate experience to the role. The Board is satisfied that the audit members have recent and relevant financial experience.

Remuneration Committee

The Committee consists of the three Independent Non-Executive Directors and meets at least twice a year to determine Company policy on senior executive remuneration and to agree the detailed remuneration packages of the Executive Directors. The Remuneration Committee takes the advice of external consultants from time to time as appropriate. The Group Chief Executive is consulted on the remuneration packages of the other directors and senior executives and attends remuneration discussions by invitation, except when his own position is being discussed. Given the central part that remuneration plays in the success of the Company, the Chairman is also invited to attend meetings of the Committee.

Executive Sub-Committee

Savills plc has an Executive Sub-Committee (ESC), which comprises the Group Chief Executive and such other Executive Directors as the Board shall nominate from time to time. Any Director of the Company may be invited by the Committee from time to time to attend all or part of the Committee's proceedings. Under the leadership of the Group Chief Executive, the ESC reviews the day to day operation of the Group, including risk management, authorises certain investments, monitors Group performance and may deal with other specific matters delegated to it by the Board. The current Committee members are indicated on pages 27 and 28. The Committee meets at least once between Board meetings and the Minutes of the ESC are circulated to all Board members in advance of full Board Meetings.

Board Performance and Evaluation

Significant advancement in a formal evaluation process was made during the year under the leadership of the new Chairman. Towards the end of the year, the Board and each of the Audit and Remuneration Committees carried out an

evaluation process facilitated by an external consultant. Each Board member was also asked to evaluate the Chairman.

The Board used the Combined Code on Corporate Governance as guidance, tailored to meet the Board/Committees' specific requirements.

The individual Directors and/or Committee members initially completed separate questionnaires and a series of one-to-one interviews took place with the external consultant. These covered the workings and interactions of the Board and Committee members.

The last of these interviews was held in January 2006. The consultant analysed and collated comments from the interviews and provided feedback to the Board in a Report at the Board Meeting on 7 March 2006.

The evaluation process concluded that the Board and its main committees are working satisfactorily. Action plans to address any specific issues that arose during the evaluation have been agreed and put in place and progress will be reviewed periodically.

Attendance at Meetings

Directors' attendance at Board and Committee Meetings convened in the year ended 31 December 2005 was as follows:

| | Board | Audit Committee | Remuneration Committee | Appointment Committee |
|----------------------------|-----------------|-----------------|------------------------|-----------------------|
| Number of meetings in year | 9 | 5 | 7 | 3 |
| | Attended | Attended | Attended | Attended |
| Non-Executive Directors | | | | |
| Peter Smith | 9 | - | - | 3 |
| William Concannon | 6 | - | - | - |
| Tim Ingram | 8 | 5 | 7 | 3 |
| Fields Wicker-Miurin | 9 | 5 | 7 | 3 |
| Derek McClain | 9 | - | - | - |
| Charles McVeigh | 7 | 4 | 7 | 2 |
| Executive Directors | | | | |
| Aubrey Adams+ | 9 | - | - | - |
| Jeremy Helsby+ | 9 | - | - | - |
| Simon Hope | 8 | - | - | - |
| Robert McKellar+ | 8 | - | - | - |
| Rupert Sebag-Montefiore+ | 9 | - | - | - |

+ Members of the ESC. The ESC met twelve times during the year.

Insurance Cover

The Company purchases insurance to cover its directors and officers against their costs in defending themselves in civil legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. The insurance does not provide cover where the director has acted fraudulently or dishonestly.

Directors' Remuneration

The Remuneration Report is set out on pages 43 to 52. The Remuneration Report will be put to shareholders at the Annual General Meeting (AGM) in 2006.

Relations with Shareholders

The Board maintains an open relationship and dialogue with shareholders and has a regular programme of meetings with analysts which ensures that the Board is aware of shareholder sentiment. Meetings are held with major institutional shareholders regularly and include presentations at the time of the Company's preliminary announcement of annual results and half year report. During the year the Company Secretary met with both the Association of British Insurers (ABI) and Research Recommendations Electronic Voting (RREV) to discuss the review of share based remuneration schemes and the proposed

changes (see page 47 of the Remuneration Report). All shareholders are sent a copy of the full Annual Report and Accounts and the Interim Statement. Information about the Company is also available on the website at www.savills.com.

The Directors welcome and encourage the participation of private shareholders at the AGM. In accordance with the Code, the Chairman declared the level and manner of voting of proxies lodged on each resolution at the AGM held during the year. As outlined in the Notice of Meeting accompanying this Report & Accounts the Directors will also ask shareholders to approve a resolution to permit electronic proxy voting through CREST at all future meetings. The Chairmen of the Board's principal committees were present at the 2005 AGM to answer shareholders' questions as required. The Directors aim to give as much notice of the AGM as possible which will be at least 21 days, as required by the Company's Articles of Association. In practice, this Report and Notice of AGM are being sent to shareholders more than 20 working days before the AGM as required under the Code. The Notice of Annual General Meeting of Shareholders and explanatory notes are sent to shareholders with this report.

Internal Control and Risk Management

The Group has adopted a formal system of internal controls intended to safeguard the shareholders' investment and the Company's assets. The Board is responsible for the Group's system of internal control and risk management and for reviewing the effectiveness of the system. The system is designed to provide reasonable assurance with regard to the safeguarding of assets against unauthorised use or disposition and the maintenance of financial information used within the business or for publication. However, such a system can only provide reasonable assurance against material misstatement or loss.

The Executive Sub-Committee (ESC) conducts an annual review of the effectiveness of the system of internal control covering financial, operational and compliance controls and risk management. Detailed self assessment questionnaires are completed by the senior management in each part of the business and the results collated and considered by the ESC. Trends are analysed and consideration is given to those areas that should be recommended for incorporation in the Internal Audit Plan. The results are then presented to both the Audit Committee and the full Board for their consideration and comment.

Key elements of the Group's system of internal control during 2005 were:

- The Audit Committee and the Board have reconsidered the need for an Internal Audit Function and KPMG were appointed on 1 November 2005 to serve as the Company's internal auditors on a global basis.
- The Audit Committee and the Board reviewed the key risks facing the Group and the likely impact of these risks.
- The Board delegated to the ESC responsibility for regularly assessing and reviewing risks and controls and for undertaking the specific annual assessment of the system's effectiveness for consideration by the Board. The ESC meets before each Board meeting and consists of the Group Chief Executive, the Group Financial Controller and the Chairmen of Savills Commercial Limited, Savills (L&P) Limited and Savills - Asia Pacific.

- Selected Executive Directors also sit on the operating subsidiary and associate boards, including those of the overseas operations. These boards and their associated committees also meet regularly and have formal reporting structures. Directors of operating companies are closely involved in the day-to-day business of their respective operations, thus facilitating the prompt identification of business risks and appropriate action.
- Monitoring systems are in place to control both financial and operational risks, where appropriate.
- The ESC and the boards of the main operating subsidiaries regularly monitor changes in the business environment and competition facing the main areas of the business.
- There is a comprehensive system for planning and reporting the performance of each business unit.

- The Board meets regularly and reviews the Group's overall results against plan and the previous year; forecasts are regularly updated. Clear responsibilities are given to operational and financial managers for the maintenance of effective financial controls and the production of accurate and timely financial management information.
- There is a formal policy and procedure available to all employees who are concerned about possible impropriety, financial or otherwise, and who may wish to ensure that action is taken without fear of victimisation or reprisal.

Going Concern

After making enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Accounts.