Home to London's Brightest Businesses

Workspace Group PLC
Annual Report and Accounts 2021

INTRODUCTION

Our purpose is to give businesses the freedom to grow.

WHO WE ARE

Workspace owns and manages approximately four million sq. ft. of business space in London across 58 properties. We are home to thousands of London's brightest businesses, including fast-growing and established brands across a wide range of sectors.

Our purpose is based on the belief that in the right space, teams can achieve more. That in environments tailored to them, free from constraint and compromise, teams are best able to collaborate, build their culture and realise their potential together.

Our Strategy, see page 29

Customer at Kennington Park

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INTRODUCTION CONTINUED

In one of the most challenging years in our history, our purpose and values have driven our actions and decisions.

AN UNPRECEDENTED YEAR

Our financial performance has been resilient, despite being impacted by the £20m of rent discounts we offered customers and a fall in occupancy. Customer activity was significantly lower for much of the year due to lockdowns but recovered strongly in the fourth quarter.

Business Review, see page 71

The Frames, Shoreditch

2020/2021 HIGHLIGHTS

FINANCIAL	OPERATIONAL	ESG
£81.5m Net rental income	**739** Average enquiries per month	**2030** Net zero carbon by 2030
£38.7m Trading profit after interest	**96** Average lettings per month	**£300m** Raised in green bond issuance
£2.3bn Property valuation	**81.6%** Like-for-like occupancy	**100%** Renewable electricity sourced
£9.38 EPRA NTA per share	**£85.1m** Like-for-like rent roll	**50%** Rent reduction offered to customers in Q1 20/21
17.75p Dividend per share	**95%** Rent collection	**£35k** Donated to Single Homeless Project

Workspace head office at Kennington Park

INTRODUCTION CONTINUED

With a spotlight on ways of working like never before, our business model and strategy are ideally suited to the future of work.

A CLEAR MARKET LEADER IN A CHANGING WORLD

With London shut down for much of the year, our business has been tested and has proven remarkably resilient. The world is changing fast for office space providers. Companies want to create the best possible working environment for their employees and recognise the value of having their own space in which to do that.

We have an exciting and significant opportunity to be the clear market leader in this changing world.

CEO Statement, see page 9

INTRODUCTION CONTINUED

As London reopens, our brand campaign reminds businesses of the benefits of working from work, **#WFW**.

BRAND CAMPAIGN

Workspace's brand positioning has not historically highlighted its leading position and scale. Now is the time to change that. Never before has our flexible offer been more relevant.

Our new campaign reflects our brand personality and more clearly positions Workspace in the market. Bold and visible advertising showcases our offer and our customers, highlighting to businesses that working from work is better with Workspace.

Workspace advertising on London buses

INTRODUCTION CONTINUED

Q&A with the Executive Team

WILL ABBOTT
CHIEF CUSTOMER OFFICER

Will was appointed in 2020. He is responsible for marketing, brand and customer engagement.

Q What has Workspace done to stay in touch with customers during the pandemic?

A Maintaining an active dialogue with our customers is important in normal market conditions, but has been even more so during the past year.

Towards the end of the first lockdown, the team created a Back to Business hub on our website, containing practical and helpful guides for customers about returning to their offices. This included downloadable resources, such as social distancing signage and advice on how best to manage space with teams returning to work.

Over the last year, we moved our event programme online and hosted a series of virtual events for customers, on topics including wellbeing, innovation in business and leadership.

We launched a new monthly customer newsletter, The Works, which introduces exciting new businesses who've moved in, showcases new space we've launched and highlights upcoming events.

> "The last year has highlighted the value of our flexible proposition more than ever."

Q What are you doing to capture demand as London reopens for business?

A We launched a brand new website at the end of 2020 to make it easier to find Workspace online and improve the user experience, especially via mobile. In parallel, we have made enhancements to our digital and social media activity to help increase Workspace's prominence across these channels.

Aligned with the easing of lockdown, our #WFW campaign is running across the Capital on London buses, billboards, digital radio and online. The advertising will help put Workspace front of mind for those business owners, and their teams, who are planning their own return to office working.

CHAIRMAN'S STATEMENT

With London shut down for months due to the pandemic, this year has been a true test of our business model and strategy. We have passed the test and I am extremely proud of the way the Company has pulled together.

Stephen Hubbard
Chairman

CHAIRMAN'S STATEMENT CONTINUED

"I would like to thank all our employees, our management team and the Board for their outstanding commitment in helping us navigate these challenging times."

£81.5m

Net rental income

In my first year as Chairman of Workspace, the Company has experienced the unprecedented challenge of operating through the global pandemic. With London shut down on and off for most of the year, it has been a true test of our business model and strategy. Workspace has certainly passed the test and the Board and I are extremely proud of the way that the whole Company has pulled together in the face of such enormous challenges.

As a result, Workspace's performance has been resilient. Our financial results have been significantly impacted by the 50% rent discount we offered our customers in the first quarter. Net rental income was down 33% to £81.5m but we were able to retain the majority of customers through the year. Overall occupancy fell to 77.8%, with like-for-like occupancy closing the year at 81.6%. The longer-term attractions of our model and our well-located property portfolio are well understood by the market and this was demonstrated by the solid valuation performance with EPRA NTA per share at £9.38.

We decided at the half year to defer a decision on the payment of the dividend as the UK was heading back into a national lockdown at that time and there was heightened uncertainty. However, the outcome of the year has been robust and so, with our committed policy to pay dividends out of earnings, the Board is able to recommend a final dividend of 17.75p per share.

Despite the difficulties of operating amidst a pandemic, the Board has had a very busy agenda this year. We have continued our focus on improving diversity across the Company and have made two important new appointments to the Board. We welcome both Rosie Shapland and Lesley-Ann Nash as Non-Executive Directors, bringing valuable relevant experience and broad skills across ESG, risk, finance, audit and governance. They have both concluded their induction process and are making a great contribution to the Board.

Much of the discussion at our Board meetings this year has been centred on ESG, and particularly climate change. As a result, Workspace has made real strides in this area. The Board approved the pathway to becoming a net zero carbon business by 2030, a challenging but important target. We also issued our first public bond – a green bond that raised £300m and was three times oversubscribed, demonstrating the strong appeal of our model to fixed income investors.

The social side of our ESG agenda is equally important, especially this year when upholding employee and customer wellbeing has proven to be critical to business success. Our stakeholder engagement has naturally focused on customers and employees. Many of our customers have been severely impacted by the lockdowns. The support we gave them was well received and has differentiated Workspace in the market as a truly customer-centric business. Our latest customer survey highlighted this further and I'd like to commend the Workspace team for achieving a positive customer advocacy result in such a difficult environment.

Our employees have worked incredibly hard to keep the business operating effectively through this time. I have thoroughly enjoyed the regular breakfast sessions I have hosted with our employees over the past year. Discussions have ranged freely across a myriad of subjects and always thrown up valuable insights and actions that we can take forward as a business.

I would like to thank all our employees, our management team and the Board for their outstanding commitment in helping us navigate the Company through these challenging times. Finally, I would like to give a special thanks to Maria Moloney, who is standing down after nine years as a Non-Executive Director. Over this time, she has made a significant contribution to the Board, particularly as Chair of our Remuneration Committee.

We know from our current data and customer engagement that confidence is returning to the London SME community and they are eager to get back to their offices which, for the majority, play an important part in fostering their culture and brand identities. As we look past the pandemic, we anticipate even greater demand for our flexible offer from a wider range of businesses.

The Board and I are highly confident that Workspace has the right strategy and the right business model to capture that demand, recover occupancy and income and deliver significant value to shareholders over the long-term.

INVESTMENT PROPOSITION

Delivering long-term value for shareholders.

As we emerge from the pandemic and London reopens for business, there are compelling reasons to invest in Workspace.

Leadership in London's flexible office market

Following the pandemic, as businesses return to offices, our product is proving to be increasingly attractive to a wider range of companies.

Our offer allows customers to reflect their own identity and culture in their office space, set within distinctive, character buildings in the right locations for their employees, while retaining flexibility to expand and contract in line with their business needs. This has been our offer for more than 30 years giving us a wealth of customer insight and data to maintain a compelling offer.

Our business model, see page 11

Significant growth opportunity

Our research shows that, despite our leadership position, we currently only have a 3% market share in London and significant opportunity for growth. Our scalable operating platform means we can expand our portfolio without greatly increasing operating costs.

We have an extensive project pipeline, with plans to deliver 1.4 million sq. ft. of new or upgraded space over the next five years. On top of this, our healthy balance sheet positions us well to take advantage of acquisition opportunities as and when they arise.

Our portfolio, see page 14

Sustainability

Sustainability has always been part of Workspace's DNA. As a long-term owner of historic and character properties in London, we are committed to playing our part in mitigating climate change risk.

Our ongoing programme of upgrading our centres and bringing new businesses into the area, enables us to play a key role in the employment-led regeneration of communities across London.

Doing the Right Thing, see page 34

Strong financial position

We have prudently managed our balance sheet. Despite the impact of Covid-19, we are in a strong financial position.

We own our properties and operate them to generate sustainable income. We regularly invest to enhance our business centres to drive both rental and capital growth.

Business review, see page 71

An experienced team

Our management team combines a wealth of experience at Workspace, including those who have operated through previous downturns, with recent new appointments who bring fresh ideas and expertise from other industries.

Our culture is dynamic and inclusive, with a focus on customer experience across the business.

Executive Committee, see page 132

CHIEF EXECUTIVE OFFICER'S STATEMENT

Our results this year reflect the impact of the pandemic on our customers. As restrictions have eased, we have seen customer demand pick up materially, confirming the appeal of our distinctive buildings and flexible offer.

Graham Clemett
Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

> **We have a very clear strategy. We believe we can deliver superior value for all stakeholders through a focus on customer-led growth, operational excellence and Doing the Right Thing.**

£38.7m
Trading profit after interest

17.75p
Final dividend per share

The past year has been one of the most challenging in Workspace's history; with London effectively closed for much of it. This is borne out in our results, which reflect the impact of the pandemic on our customers. On a more positive note, we have seen new customer demand pick up materially and footfall in our centres improve as Government restrictions have eased, confirming the appeal of our distinctive buildings and flexible offer.

Looking at the results for the year, net rental income fell 33% to £81.5m, with £19.9m of rent discounts and deferrals offered to customers, and more significantly the net loss of around 10% of our customers. The decline in income resulted in a 52% fall in trading profit after interest, to £38.7m. This fall and the reduction in the property valuation were the main contributors to a pre-tax loss of £235.7m.

We decided at the half year to defer a decision on the payment of the dividend as the UK was entering another month of lockdown at that time and there was heightened uncertainty. However, the outcome of the year has been robust and so, with our committed policy to pay dividends on a covered basis out of earnings, I am delighted to say that we are now recommending a final dividend of 17.75p per share.

We saw a 10% decrease in the underlying property valuation to £2,324m, resulting in a 14% decline in EPRA net tangible assets per share to £9.38. The fall in the valuation reflected the reduction we have seen in rental values, with property yields stable. This fall in rental values was no surprise given that we have been pricing our lettings through the year into a very thin market of demand.

The support we have given our customers at the outset of the pandemic and the ongoing interaction we have had with them to ensure they have the right space for their business has not gone unrewarded and we are delighted that the majority of our customers stayed with us through this year. Like-for-like occupancy fell 11.7% to 81.6%, but we have seen that stabilise now and expect a good recovery over the coming year. Our support and focus on customer engagement also stood us in good stead for rent collection, which has been robust.

Pricing has fallen in line with the weaker levels of customer demand through the year and we expect it to remain subdued as we focus on driving the recovery in occupancy. With our flexible leases, however, pricing is extremely dynamic and this allows us to capture reversion more quickly than a traditional lease as market demand improves.

Despite the difficult environment we were operating in, we continued to execute our project pipeline during the year and, in fact, opened two new business centres in the summer of 2020. These continue to let up, with Lock Studios in Bow particularly capturing the imagination of businesses in that area. It is a true showcase of the employment-led regeneration element of our Doing the Right Thing ESG strategy, as we have created a vibrant hub for businesses in a community that previously lacked quality commercial space.

Creating sustainable environments and mitigating the risk of climate change is another strand of our Doing the Right Thing commitments and this year, we published our detailed pathway to becoming a net zero carbon business by 2030. This includes approved science-based targets and a commitment to drive down emissions of both operational and embodied carbon. A focus on sustainability is not limited to development and asset management; we also published a green finance framework during the year and successfully raised £300m through a green bond to finance and refinance green projects.

The third pillar of our Doing the Right Thing framework is looking after our people. They are the true strength of this business, a fact never more evident than in times of crisis. We have a fantastic culture at Workspace and our clear purpose and the values we adhere to have ensured that we have all been working toward a common goal. I'd like to thank all our teams across Workspace, and our partners, who have worked tirelessly both remotely and in our centres to support customers during this incredibly challenging year and keep the business on an even keel as we emerge in good shape out of the pandemic.

Never before in our history has there been such a spotlight shone on the office market as businesses all over the world consider how to use office space in the future. We are taking this opportunity to promote the Workspace offer as London reopens for business over the coming months by launching a targeted advertising campaign. We are highlighting the benefits of working from Workspace, in inspiring spaces in iconic locations where businesses can create their own identity and provide a home for their teams.

Looking to the future, we have a very clear strategy. We believe we can deliver superior value for all stakeholders through a focus on customer-led growth, operational excellence and Doing the Right Thing. We are confident in our product and see significant opportunity to grow our business both organically and through acquisitions.

OUR BUSINESS MODEL

WHAT WE DO

We are the leading provider of flexible office space in London, providing inspiring spaces to over 3,000 businesses and around 30,000 individuals.

HOW WE DELIVER VALUE

We drive capital appreciation and rental growth from our expertise in urban regeneration in London, active asset management and a focus on customer experience.

STAKEHOLDERS

Successful, sustainable companies understand the needs of their stakeholders and the most effective way to engage with them.

See page 20

Customer proposition

We provide SMEs with blank canvas spaces within unique and inspiring buildings in dynamic London locations. Our customers build their own identity and culture, but crucially our flexible lease terms allow their space requirements to evolve.

See page 12

Unique portfolio

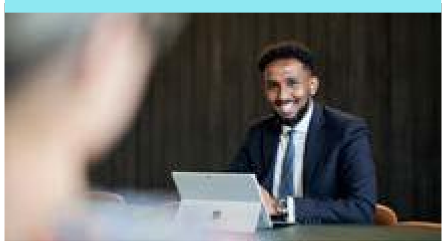
Our high-quality portfolio is wholly London-based. We hold our properties for long-term income generation and our ownership model gives us the flexibility to enhance the quality of space and expand our footprint through refurbishments and redevelopments.

See page 13

Operating platform

We have a proprietary and sophisticated in-house platform to manage our interactions with customers. It provides valuable data and insight to support decision-making across the business.

See page 15



Talented people

Our employees are central to our success. We are driven by a diverse, vibrant and inclusive culture, which focuses on customer experience. This dynamic culture helps attract and retain people who align with our values and have a broad range of skills, experience and backgrounds.

See page 16

Prudent financing

We prudently manage our balance sheet and maintain low levels of gearing. We are focused on generating sustainable, long-term income, which we then reinvest in enhancing the portfolio and return to shareholders via the dividend.

See page 18

Sustainability

Creating attractive, sustainable environments is integral to our business. Successful regeneration of London requires high-quality, energy-efficient buildings and vibrant communities that appeal to our customers, their employees and to local residents and businesses.

See page 19

OUR BUSINESS MODEL IN ACTION

Customer proposition

A flexible offer tailored to customer needs

Our customers want a home for their business and to create their own brand identity and culture within their office space. Workspace offers that flexibility, as well as flexible lease terms which allow customers to expand and contract in line with their business needs.

As businesses return to offices following the pandemic, quality collaboration space has become increasingly important. We dedicate around 30% of our buildings to attractive, well-designed communal and breakout space, which also includes meeting rooms, showers, cycle storage and high-quality cafés.

Clearly articulating our brand proposition

With the success of the Covid-19 vaccine rollout and Government restrictions lifting, demand for our space has increased. Our flexible offer is proving attractive to a wider range of businesses following the pandemic. Our recently launched brand campaign highlights our position as home to London's brightest businesses and aims to further raise awareness of our offer and capture the growing demand.

Building a customer-first culture

We are working hard to make ongoing improvements to customer service and encourage all our teams to focus on customer retention.

A DIVERSE CUSTOMER BASE RANGING FROM SMALL, EARLY STAGE BUSINESSES TO LARGER, WELL-KNOWN BRANDS

E-commerce and retail head offices	13.2%
Information, communication and technology	13.0%
Professional, technical and consultancy services	12.1%
Arts, entertainment and recreation	11.5%
Marketing	8.4%
Financial services	7.5%
Less than 5%	34.3%

Freddie's Flowers office at Riverside in Wandsworth

CASE STUDY

Freddie's Flowers

Flower delivery business Freddie's Flowers has flourished this year. Founded in 2014, today the company has a £30.3m turnover, with 150 staff and 110,000 customers.

We worked with Freddie to provide him and his team with the perfect space for their business at Riverside Business Centre in Wandsworth. This includes a characterful walled garden, a studio for filming and a packing and delivery space, with 20% of all deliveries made by electric bicycle. The company has been certified as carbon neutral this year.

OUR BUSINESS MODEL IN ACTION CONTINUED

Unique portfolio

Our freehold portfolio has been built up over more than 30 years, with representation across most areas of London. Owning the right properties with the right configuration for our multi-let strategy is critical. Our business centres are typically characterful, relatively low rise, large buildings of 50,000 sq. ft. or more.

Location is all-important and our properties are well located around major transport hubs and in vibrant neighbourhoods. Many of them are distinctive landmarks in their areas. Inside, the buildings are modern and well designed to cater for the needs of our customers with light-filled atriums, lots of communal and breakout space, high-spec meeting rooms and buzzing cafés.

Active asset management

We actively manage the portfolio to generate value, driving rents on our like-for-like properties, delivering on our project pipeline or selectively acquiring and disposing of assets.

We have a long-term, sustainable approach to asset management, complementing the historic nature of many of our properties. Freehold ownership allows us to quickly respond to changing market demand and to easily reconfigure our space. Our rolling programme of refurbishments and redevelopments allow us to keep the offer up to date and to meet our increasingly strict sustainability criteria. In turn, we benefit from uplifts to the valuation as a result.

Climate change mitigation and resilience, see page 37

Growing the portfolio

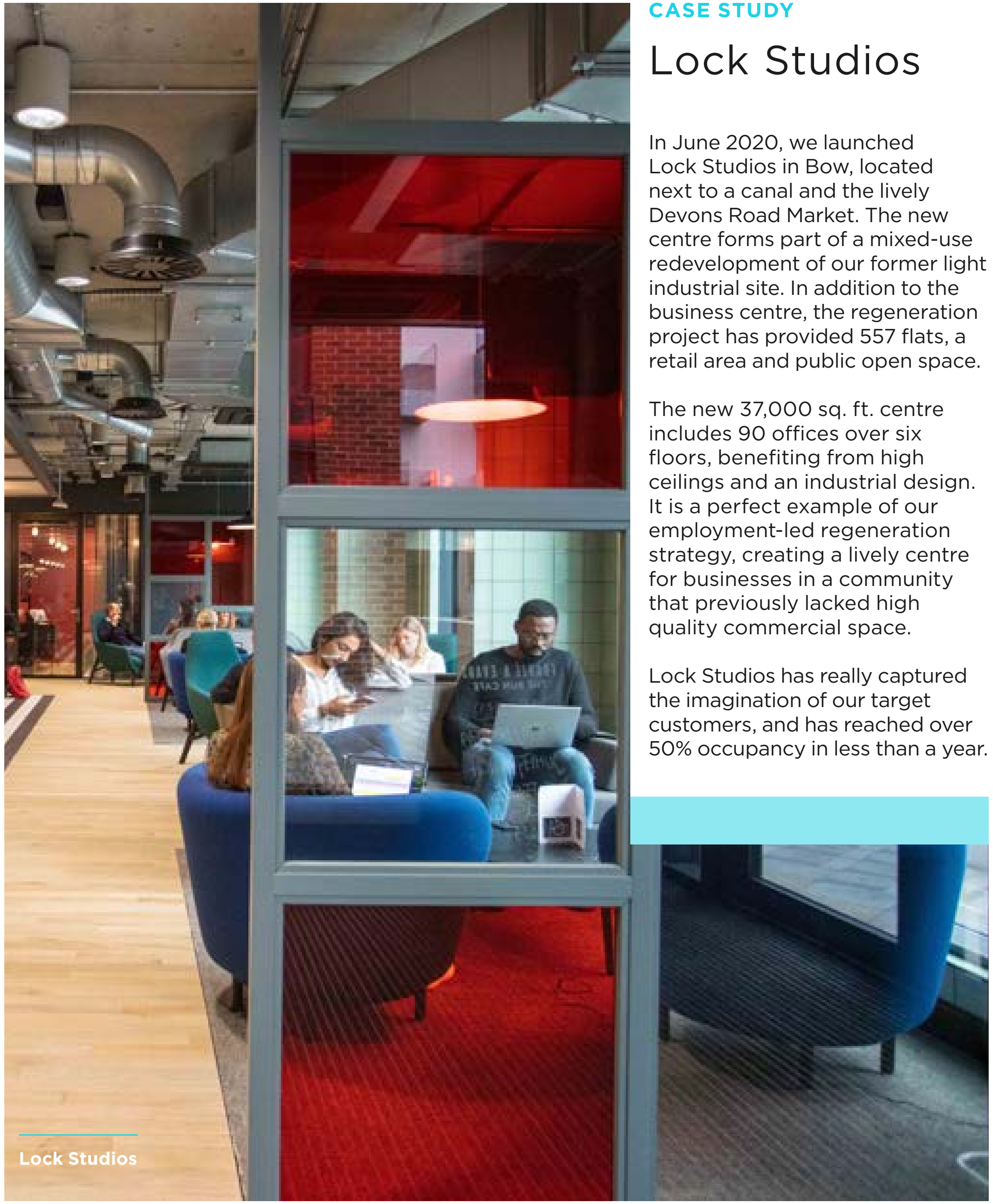
Our ambition is to continue to grow the portfolio through our project pipeline and strategic acquisitions. We have deep knowledge of the London property market and sometimes track properties that would suit our multi-let strategy for many years. We take a disciplined approach driven by the scale of our project pipeline and a rigorous focus on returns.

EXTENSIVE PROJECT PIPELINE

Projects underway	
Pall Mall Deposit	H1 2021/22
Mirror Works	H1 2021/22
Barley Mow	2022/23
Chocolate Factory	2022/23

1.4m sq. ft.

of new and upgraded space to be delivered over the next five years



Lock Studios

CASE STUDY

Lock Studios

In June 2020, we launched Lock Studios in Bow, located next to a canal and the lively Devons Road Market. The new centre forms part of a mixed-use redevelopment of our former light industrial site. In addition to the business centre, the regeneration project has provided 557 flats, a retail area and public open space.

The new 37,000 sq. ft. centre includes 90 offices over six floors, benefiting from high ceilings and an industrial design. It is a perfect example of our employment-led regeneration strategy, creating a lively centre for businesses in a community that previously lacked high quality commercial space.

Lock Studios has really captured the imagination of our target customers, and has reached over 50% occupancy in less than a year.

OUR BUSINESS MODEL IN ACTION CONTINUED

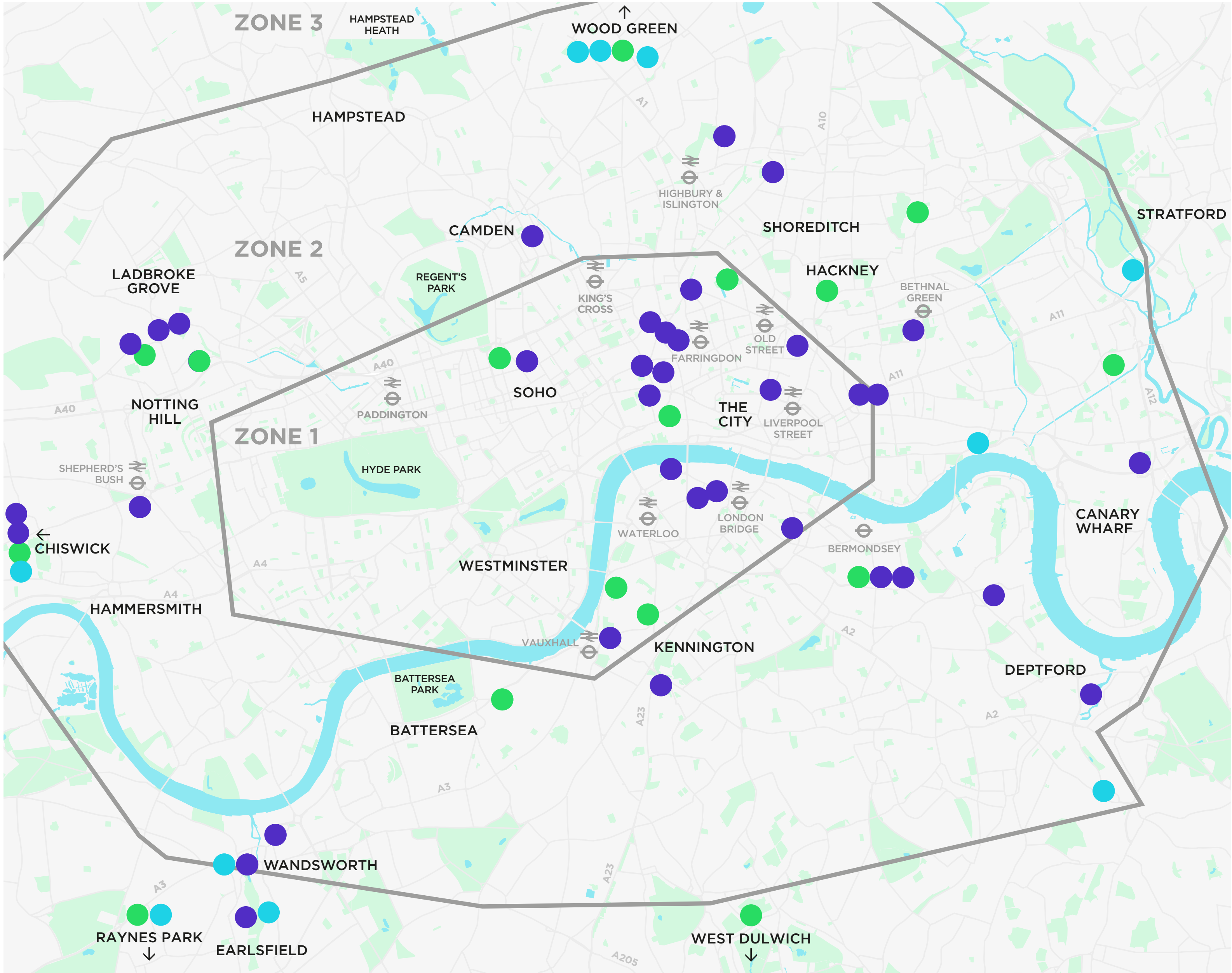
UNIQUE PORTFOLIO CONTINUED

OUR PORTFOLIO

A scale portfolio in dynamic locations spread across London.

Workspace Group portfolio	2021	2020
CBRE property valuation	£2,324m	£2,574m
Number of locations	58	59
Lettable floorspace (million sq. ft.)	3.9	3.9
Number of lettable units	4,196	4,009
Rent roll of occupied units	£103.9m	£132.8m
Average rent per sq. ft.	£33.90	£39.18
Overall occupancy	77.8%	87.0%

- Like-for-like
- Refurbishments
- Redevelopments



OUR BUSINESS MODEL IN ACTION CONTINUED

Operating platform

£103.9m
Total rent roll at 31 March 2021

739
Average enquiries per month in the year to 31 March 2021

96
Average lettings per month in the year to 31 March 2021

Our proprietary, in-house marketing and operating platform enables us to manage a huge volume of customer activity in-house, from enquiries and viewings through to lettings, facilities management, billing and renewals.

We have strong relationships with our customers and ongoing interaction, as well as our regular surveys, provides real-time market intelligence. This data and insight drives decision-making across the business and ensures our product is constantly adapted in line with customer needs.

The platform is scalable and means we can significantly grow our portfolio without incurring significant operating cost growth.

This platform is a major competitive strength, built over many years with significant historic data and insight on London's SME market. Dealing with considerable levels of customer activity requires a particular culture and in-house expertise and is part of what makes Workspace unique.

CASE STUDY

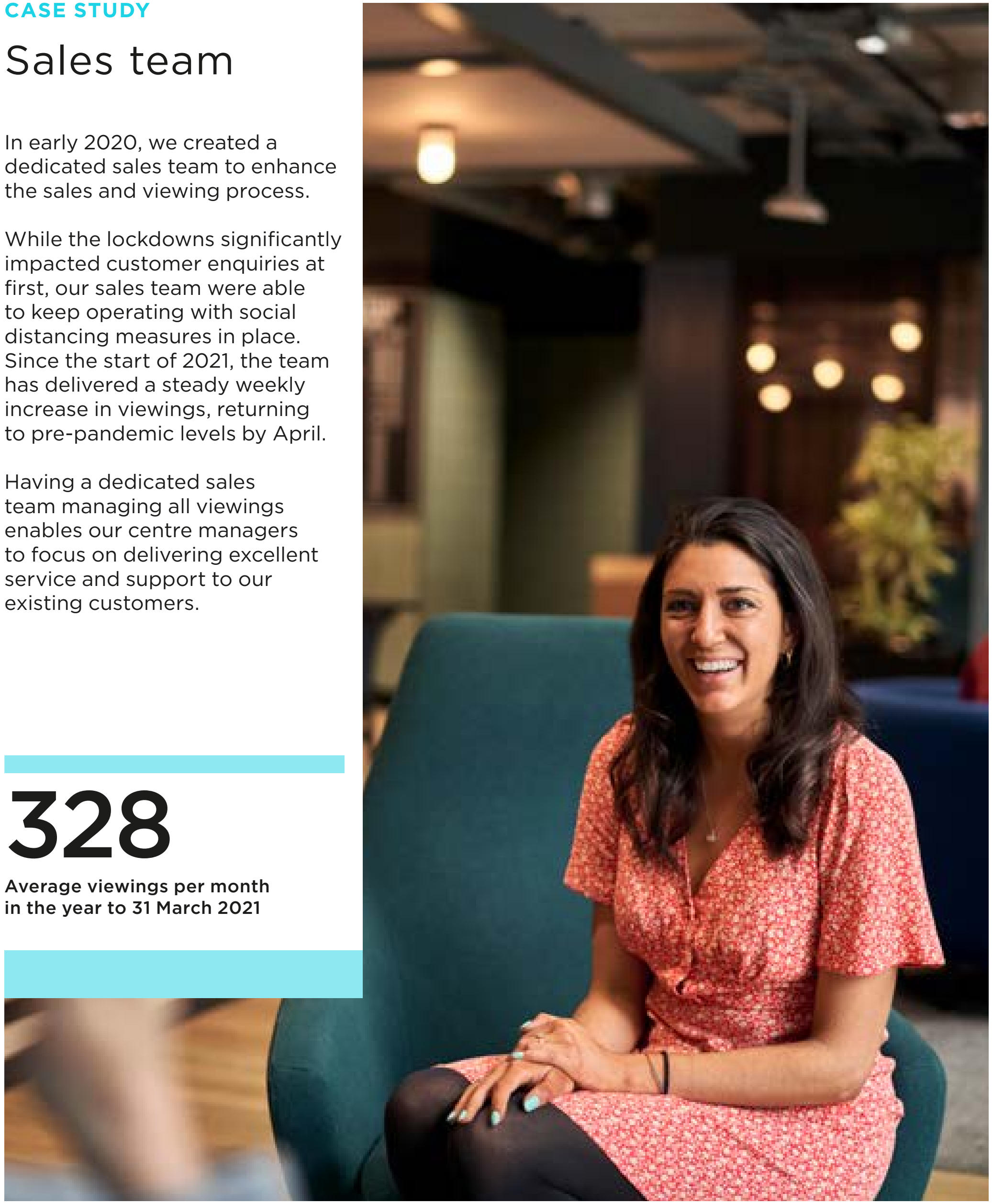
Sales team

In early 2020, we created a dedicated sales team to enhance the sales and viewing process.

While the lockdowns significantly impacted customer enquiries at first, our sales team were able to keep operating with social distancing measures in place. Since the start of 2021, the team has delivered a steady weekly increase in viewings, returning to pre-pandemic levels by April.

Having a dedicated sales team managing all viewings enables our centre managers to focus on delivering excellent service and support to our existing customers.

328
Average viewings per month in the year to 31 March 2021



OUR BUSINESS MODEL IN ACTION CONTINUED

Talented people

We are proud of our diverse and skilled team. We have a valuable blend of people with long-term experience at Workspace and those who have joined us more recently from other industries bringing fresh ideas and expertise.

Operating during the pandemic

Our teams have worked tirelessly over the past year to ensure customers have the right space for their business, in terms of size, location and affordability. Our centre managers and facilities teams have kept our business centres open and safe for those customers who needed access throughout the pandemic and have implemented measures to safely welcome back customers.

Importance of culture

The past year has highlighted more than ever how important company culture is for businesses to operate successfully. Workspace has a vibrant and inclusive culture that has proved strong in a challenging year. With teams working remotely for much of the year, a common sense of purpose brought us together and our values guided our actions and decisions.

We also hear from our customers how important company culture is to them and it is clear that following the pandemic, successful businesses will be those whose culture prioritises employee wellbeing and satisfaction. With customer service and our engagement with customers front of mind, we recently refreshed our brand proposition and market positioning. As part of that, we rolled out workshops for the entire business to educate our employees on our brand personality and tone of voice.

Employee wellbeing

Our first annual employee survey, conducted last year, highlighted the importance of wellbeing and over the year we have made significant progress in this area. We have run a series of wellbeing webinars for employees and are launching a full programme of events for the coming year.

Looking after our people, see page 45








CASE STUDY

Workspace Winners

Following employee feedback around recognising and rewarding achievements internally, we introduced quarterly employee awards.

The Workspace Winners, reinforce our positive culture and recognise excellence at both site and head office level.

Employees nominate colleagues who have demonstrably lived our values, and a judging panel chooses four winners per quarter.

Each winner is celebrated with intranet case studies outlining their positive impact on the business, as well as receiving a trophy, a £150 prize, and an all-expenses-paid group dinner with the CEO at the end of the year.

OUR BUSINESS MODEL IN ACTION CONTINUED

TALENTED PEOPLE CONTINUED

OUR VALUES

1. Know your stuff

We like people who are serious about their subject; those who are open-minded, interested and ask questions.

2. Show we care

We value great social skills and those who instinctively build strong relationships. We think hard about how to give back to our communities.

3. Find a way

We look for those who are persistent and have the confidence to move things forward even when it is difficult. Flexibility and adaptability are key, but so are focus and determination.

4. Be a little crazy

We depend on the creativity and imagination of all our people. We like people who thrive on fresh thinking, who are motivated by possibility.

2020/21 SUMMARY

£81.5m
Net rental income

£38.7m
Trading profit after interest

£2,324m
Property valuation

£9.38
EPRA net tangible assets per share

24%
Loan to value

£434m
Cash and undrawn facilities

Dave Benson, CFO, at Workspace head office

OUR BUSINESS MODEL IN ACTION CONTINUED

Prudent financing

Our financial strategy is primarily focused on generating sustainable income.

Since the global financial crisis, we have prudently managed our balance sheet with a mixture of bank debt and private placements. More recently, we successfully raised £300m via a green bond. We have a broad spread of maturities and all our debt is unsecured. We have significant headroom on our covenants, low loan to value of 24% and, as at 31 March 2021, £434m of cash and available facilities to pursue growth opportunities.

We own our properties for the long term and invest in our programme of refurbishment and redevelopments to drive rental growth and enhance valuations. It is this combination of income and capital value growth that makes Workspace a compelling investment.

Owning our assets outright gives us control. We are not constrained and can adapt the properties and our offer to meet fast-changing customer demands. Our efficient and scalable platform enables us to grow the business over time without significantly increasing operating costs.

Business review, see page 71

> “We were delighted by the strong level of demand for our first green bond issuance.
>
> This demonstrates that investors recognise the resilience of our business model and the enduring appeal of our unique offering.”

Dave Benson
Chief Financial Officer

OUR BUSINESS MODEL IN ACTION CONTINUED

Sustainability

Workspace has played a key role in the employment-led regeneration of areas across London for over 30 years and we take this responsibility seriously.

Many of our properties have historic significance in their local area. From formerly thriving factories to furniture depositories, our business centres are often iconic landmarks in their local communities. As the owner of these important buildings, we strive to uphold their legacy for the long term.

Creating attractive, sustainable environments that positively contribute to local communities closely aligns with the expectations of our customers and investors, who are increasingly concerned with the sustainability of office space and reducing their impact on the environment.

In addition to mitigating the risk of climate change, as home to London's brightest businesses, Workspace aims to have a positive impact on our local communities. Through our InspiresMe programme, we work with our customers to support disadvantaged young people in London, offering CV workshops, interview practice and work experience placements.

SUSTAINABLE DEVELOPMENT GOALS

Our ESG strategy and targets are mapped against the UN Sustainable Development Goals.

Commitment to net zero carbon by 2030

This year, we committed to becoming a net zero carbon business by 2030 and published our pathway to achieving this goal, in line with our approved Science-Based Targets. These are aligned with limiting global temperature rise to 1.5°C above pre-industrial levels and cover both operational and embodied carbon.

This will be a significant challenge due to our older and often listed buildings. We take a sustainable approach to refurbishment projects, aiming to retain existing structures and repurpose our buildings, saving on embodied carbon. Thanks to our direct relationships with customers, we are uniquely placed to collaboratively drive down emissions and our in-house facilities management team allows for greater control over our operational energy consumption.

Doing the Right Thing, see page 34


Mare Street Studios

CASE STUDY

Mare Street Studios

We transformed a tired industrial and commercial building to provide new offices in Hackney.

The project was designed to achieve an Excellent BREEAM New Construction rating and holds an EPC B rating. 95% of the waste generated during the refurbishment was diverted from landfill and the building achieved a 20% reduction in carbon emissions compared to pre-refurbishment levels.

The site offers 144 indoor secure cycling bays and eight showers. It has a 50m² haybase green roof, with over 20 floral species in line with Hackney's wildlife recommendations, and renewable energy is provided via solar panels and air source heat pumps.

95%

of the waste generated during the refurbishment was diverted from landfill

OUR STAKEHOLDERS

Our stakeholders are essential partners in our ongoing success.

We recognise the contribution that all our stakeholders and partners make to our business, and we continue to work closely with them.

To operate successfully, we rely on open, transparent and productive stakeholder engagement. The Board and management team work hard to incorporate stakeholders' views into our decision-making process.

We engage with key stakeholders on a regular basis to identify strategic actions. Our customer-facing teams provide real-time insight and data, as well as regular feedback to keep our offer attractive and fully up to date.

Board activities

See page 111

Our customers

HOW WE ENGAGE

We have direct relationships with our customers. A majority of customer enquiries come through our website before being passed to our in-house sales and lettings team. Our centre managers foster close relationships once customers have moved in. We are focused on continually enhancing customer service and this interaction provides us with invaluable insights which allows us to regularly adapt our offer to customers' evolving requirements. We also collect scheduled feedback from our c.3,000 customers twice a year to improve our offer and inform decisions on service provision, building management and refurbishments and acquisitions.

SIGNIFICANT TOPICS RAISED

- Flexibility of space and leases
- Ability to quickly expand or contract office space
- Customisable space
- Covid safety measures, including social distancing and hygiene provisions
- Financial support during the pandemic, including rent discounts and deferrals
- Changing working patterns following the pandemic
- Range of location choices
- Breakout areas and meeting rooms
- Customer service, personal not automated
- Sustainability of our buildings
- Super-fast, building-wide Wi-Fi
- Wellbeing and additional services

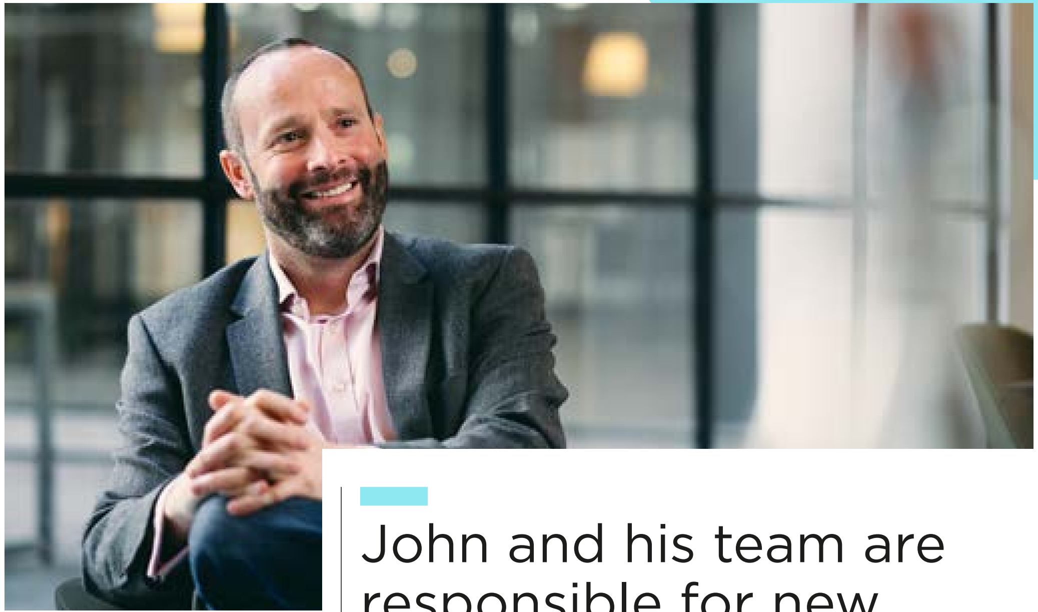
ACTIVITY IN THE YEAR

- Kept centres open throughout lockdowns
- Extensive safety and hygiene measures
- Company-wide customer service training
- Created new cycle storage spaces
- Delivered calendar of virtual events, including the virtual Wellbeing Festival
- Created Back to Business hub on our website including practical resources
- Delivered 205,000 sq. ft. of new and upgraded space
- Customer journey mapping to identify service improvement areas
- Invested in upgraded Wi-Fi technology to accommodate growing demand for services such as video conferencing
- Launched new customer newsletter, The Works

OUR STAKEHOLDERS CONTINUED

Q&A with the Executive Team

JOHN ROBSON
ASSET MANAGEMENT DIRECTOR



John and his team are responsible for new lettings, retaining and renewing customers and the ongoing maintenance and refurbishment of our properties.

Q How has the asset management team worked with customers to retain them during this difficult year?

A It has been more important than ever this year to maintain a regular dialogue with our customers to ensure that they have the right space for their business. This has been challenging with many of them working remotely but the centre managers and asset management team have done an incredible job.

We have supported customers during the year, through the 50% rent discount in the first quarter or rent deferrals on a case by case basis. On top of this, our scale, different price points and flexible model mean that we've been able to move customers in line with their business needs, with many contracting and a few expanding.

I am pleased to say that thanks to this support and our flexibility, the majority of customers have stayed with us and we know from having operated through previous downturns that those who downsized are likely to grow with us once again as the economy picks up.

> "Thanks to the support we gave and our flexibility, the majority of our customers have stayed with us this year."

Q Will you be more focused on pricing or occupancy as we head into the next year?

A At the moment, our focus is absolutely on recovering the occupancy we've lost this year. Like-for-like occupancy was down to 81.6% at 31 March 2021 and our target is 90% plus. It will take time to get there but with demand increasing as lockdowns ease, we have already seen occupancy stabilise.

It is still very much an occupiers' market and we won't be pushing pricing any time soon. Our pricing is very dynamic, however, and as we see occupancy recovering at particular sites and the supply/demand balance shifting, we will look to start delivering rental growth once more.

OUR STAKEHOLDERS CONTINUED

Our people

85%

of staff completed our employee engagement survey

SIGNIFICANT TOPICS RAISED
- Job satisfaction
- Wellbeing and connection to colleagues during lockdowns
- Pride in the Company
- Company culture and values
- Communications with staff
- Flexible working
- Empowerment to innovate
- Environmental and social sustainability
- Equal opportunities

HOW WE ENGAGE

Our positive company culture is based on inclusive and mutual respect and non-discrimination, and we always maintain an open dialogue with our employees.

With many working remotely this year, we developed a programme of frequent business updates to employees from the CEO. A series of town hall events allowed the Executive Team to field questions via live stream. We carry out an annual employee survey to assess engagement and where we can make improvements to the business. We also circulated a special wellbeing survey in the summer to gauge employee sentiment following upheaval caused by the pandemic.

ACTIVITY IN THE YEAR
- Ensured all teams were equipped to work remotely during lockdowns
- More regular communication from senior management, including virtual updates and Q&As
- Quarterly staff engagement sessions with the Chairman
- Wellbeing survey
- New employee recognition awards linked to the Company values
- Introduced Microsoft Teams as a new communications tool
- Regular values videos and case studies demonstrating culture in action
- Introduced popular staff wellbeing webinar programme

Our investors

292

institutional investors engaged with during the year

SIGNIFICANT TOPICS RAISED
- Financial performance and impact of Covid
- Customer engagement and support
- Viability of strategy and business model
- Sustainability and climate change
- Employee wellbeing
- Balance sheet management
- Dividend policy
- Total Shareholder Return
- Corporate governance
- Social impact

HOW WE ENGAGE

We maintain an active dialogue with shareholders through a rolling programme of investor roadshows around our financial results and corporate activity, as well as conferences and industry events. In addition, the CEO, CFO and investor relations team have regular ad hoc meetings and calls with existing and potential shareholders. A monthly investor relations report keeps the Executive Team and Board up to date with significant investor developments and ensures they are considered in our decision-making.

ACTIVITY IN THE YEAR
- Regular engagement, heightened at the start of the pandemic
- All results presentations, investor roadshows and meetings held virtually
- Regular engagement with sell-side analysts
- Ad hoc investor calls and meetings
- Participation in virtual global investor conferences
- Annual General Meeting held as a closed meeting
- Developed a new investor website with enhanced functionality to launch post-year end

OUR STAKEHOLDERS CONTINUED

Our partners & suppliers

Procurement

Introduced ESG questions to the procurement process for all suppliers

SIGNIFICANT TOPICS RAISED
- Creating green buildings
- Compliance with building regulations and neighbourhood plans
- Access for all user groups
- Urban regeneration
- Recycling and waste practices
- Operating during the pandemic
- Social distancing on site

HOW WE ENGAGE

We work with a wide range of valued and long-term partners in Government, local communities and building development. We have a strong track record of refurbishment and redevelopment in which good relations with local government, communities and contractors are an integral part. Shared vision, integrity and a long-term development pipeline are the basis of and foundation for our supplier relationships to achieve continued access to quality suppliers.

ACTIVITY IN THE YEAR
- Introduced ESG questions to the procurement process for all suppliers
- Provided all on-site cafés with guidance on how to be more sustainable
- Encouraged our supply chain to eliminate the use of single-use plastics
- Promoted recycling and waste practices

Our communities

38

Workspace volunteers provided students with virtual careers workshops or work experience

SIGNIFICANT TOPICS RAISED
- Fundraising during the pandemic
- How to support disadvantaged young people during lockdowns
- Social challenges within different London boroughs
- Employment inequality
- Addressing local questions and concerns around building projects

HOW WE ENGAGE

Doing the Right Thing is an integral part of our culture. We strongly believe that adding something back to our communities is an essential part of our corporate responsibility. As a long-term owner of historic properties across the city, we play a key role in the employment-led regeneration of areas all over London. As well as bringing employment into emerging areas as we launch new or refurbished properties, we also go out into the local communities to offer employment-focused support to disadvantaged young people, such as careers workshops and work experience.

ACTIVITY IN THE YEAR
- Held virtual careers workshops, including interview practice, for disadvantaged young people
- Donated £35,000 to Single Homeless Project, our new charity partner
- Ran food bank collections at 23 of our properties, particularly around school holidays
- Hosted community consultation events for local residents and businesses around development projects
- Conducted a social impact review to ensure our activity is targeted to those in the community most in need

OUR STAKEHOLDERS CONTINUED

The environment

HOW WE ENGAGE

We are committed to reducing the environmental impact of our properties and their related supply chains. Sustainability and climate change are becoming increasingly important to all our stakeholders. Our dedicated sustainability team are focused on managing our carbon footprint and reducing our impact on the environment. We adhere to industry standards in sustainability and responsible building and have a strong track record in driving improvements. We acknowledge there is a climate emergency and recognise that our industry significantly contributes to the global carbon footprint. We have therefore committed to becoming a net zero carbon business by 2030.

2030 Committed to become a net zero carbon business by 2030

SIGNIFICANT TOPICS

- Becoming a net zero carbon business
- Measuring and monitoring air and energy pollution measures
- Creating energy-efficient buildings
- Green finance
- Green building projects
- Sustainable transport
- Reporting of climate-related risks and opportunities through TCFD framework

ACTIVITY IN THE YEAR

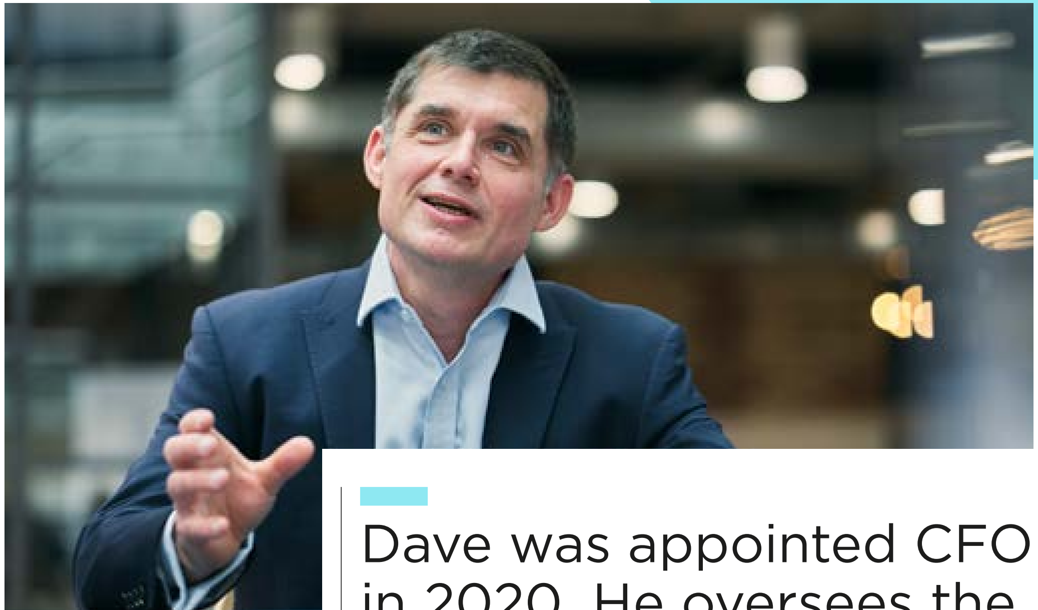
- Committed to becoming a net zero carbon business by 2030 and published our pathway to achieve that goal
- Approved science-based targets, aligned to limit global warming to 1.5°C
- Set up a Green Finance Committee and published Green Finance Framework
- Issued first green corporate bond, raising £300m to finance or refinance green projects
- Achieved recycling rate of 73%

Clerkenwell Workshops

OUR STAKEHOLDERS CONTINUED

Q&A with the Executive Team

DAVE BENSON
CHIEF FINANCIAL OFFICER



Dave was appointed CFO in 2020. He oversees the finance and technology teams and is responsible for protecting and investing our capital.

Q What have you learnt about Workspace in your first year in the business?

A It's certainly been a challenging first year in the job but if anything, our response to the global pandemic and performance this year has shown me how resilient this business is, with a very robust model.

The difficulties of the year have really highlighted the culture at Workspace as well, which has been maintained despite many teams having to operate remotely for much of the year. There is a drive to get things done and seek out innovative solutions to support each other and our customers that has proved invaluable during the year.

I have been impressed by the deep expertise of Workspace people and the knowledge within the business that goes back years. The experience of previous economic downturns has proven vital as we have navigated through this year and I feel confident will continue to serve us extremely well in the future.

> "Our response to the global pandemic and performance this year has shown me how resilient this business is."

Q What are your priorities for the balance sheet going into next year?

A I inherited a very robust balance sheet and we have worked hard this year to further strengthen it in order to best position the business to emerge strongly from the pandemic.

After a relatively quiet year in terms of project activity, we will be progressing our project pipeline this coming year with several schemes underway.

With the green bond issued and successful refinancing completed, we are also well placed to take advantage of acquisition opportunities that arise over the course of the year.

OUR RESPONSE TO MARKET TRENDS

We are confident in our focus on the London market. We evolve our flexible offer to respond to changing market trends and customer requirements.

Business review

See page 71

Our strategy

See page 29

1. The UK economy continues to feel the lasting impact of the pandemic

GDP declined by 9.9% in 2020, the steepest drop since consistent records began in 1948[1]. From many businesses forced to shut down due to restrictions on public movement, the economic impact has been widespread.

The cycle of lockdowns and easing of restrictions meant that many businesses continue to face challenges, with one in seven UK businesses at risk of imminent closure[2]. The Government expects 2.2 million people to be unemployed by the end of the year[3].

What this means to Workspace

During the first three months of the crisis, we chose to share the burden of the pandemic with customers by offering deferrals and an absolute 50% rent reduction. Since then, we have worked closely with customers to provide support and offer flexibility as best we can on an individual basis. This includes ensuring they have the right space for their business and at the right price point.

While like-for-like occupancy fell by 11.7% in 2020/21, we are now seeing strong signs of recovery with well over 1,000 enquiries in March 2021 and occupancy stabilising.

Our strong balance sheet has allowed us to weather the turbulent market conditions and come out of the crisis well positioned thanks to our distinctive flexible offer and freehold ownership model.

1,172
enquiries in March 2021

1. Coronavirus: Economic Impact, House of Commons briefing paper, February 2021
2. Covid-19 Analysis Series, Centre for Economic Performance, January 2021
3. Office for Budget Responsibility, March 2021

OUR RESPONSE TO MARKET TRENDS CONTINUED

2. Many are reappraising the role of the office following a year of working remotely

In the first lockdown, companies were abruptly forced to embrace home working, almost overnight.

Many made the move so seamlessly that commentators questioned the need for the office altogether, coupled with the time spent by Londoners commuting each day. However, a year later, many people have found they miss the collaboration, ad hoc interactions with colleagues, infrastructure and mentorship associated with a physical office.

Reports have emerged on the detrimental effects of extended periods at home: working days are longer by 49 minutes[1], with more meetings to attend and emails to answer. Loneliness and sedentary working have taken a toll on employees' physical and mental health[1].

What this means to Workspace

Our customer base had already embraced flexible working prior to the pandemic. Working from home is likely to remain a supplement to, rather than substitute for, the office, with customers favouring greater flexibility and choice.

The nationwide lockdowns have highlighted the importance of collaboration and connection. Our customers value the power of their office to help shape a dynamic company culture and brand identity.

We know that if customers are to attract and retain talent, their office environment must compete with people's homes for comfort and convenience. Ownership of our buildings gives us complete control over customer experience, with the ability to continually evolve our product.

26%

of employees in the UK plan to continue to work from home permanently or occasionally after lockdown[2]

1. Collaborating during Coronavirus, National Bureau of Economic Research, July 2020
2. Working From Home, Finder, 2021

3. Flexibility has become even more important in the wake of the pandemic

While demand in 2020 for flexible office space dipped to 52% of pre-Covid levels[1], interest is now returning strongly.

Flexibility remains the top priority for occupiers looking for space; ongoing uncertainty caused by the pandemic has prompted a greater number to consider the benefits of short-term leases and flexible space.

What this means to Workspace

We currently let space to 3% of the estimated 100,000 SMEs that we've identified in our target market in London. We see significant long-term opportunity to increase our market share.

Our scale and truly flexible offer, developed over 30 years, coupled with our ownership model and strong customer service, differentiate us from more recent entrants to the flexible office space market and those who operate a leasehold rather than freehold model.

To us, flexibility means more than just flexible lease terms. We know that customers value the fact they can personalise and brand their space, as well as the capability to easily scale up or down, or move elsewhere in our portfolio, another linchpin of our offer.

This year we launched a revitalised brand proposition to clearly position Workspace in the market. We are emphasising office space on the customer's terms, aligned with our purpose: to give businesses the freedom to grow.

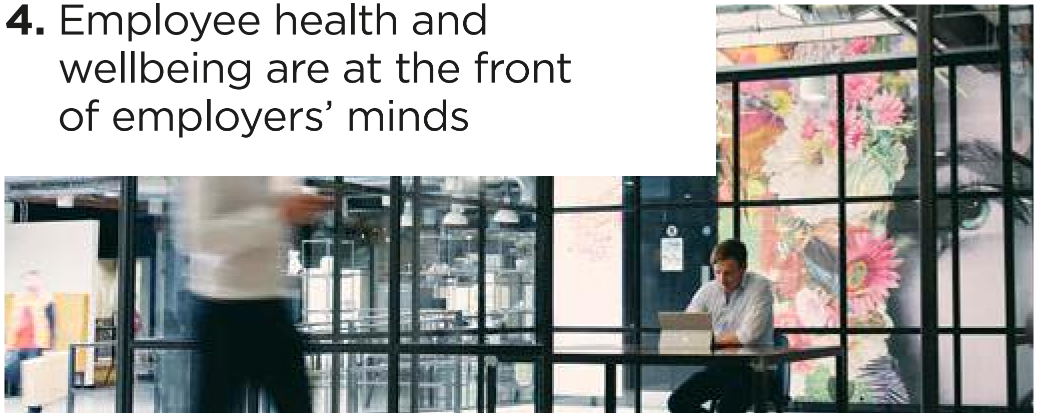
3%

market share for Workspace with significant opportunity to grow

1. UK Flex Market Review, 2020, Instant Group

OUR RESPONSE TO MARKET TRENDS CONTINUED

4. Employee health and wellbeing are at the front of employers' minds



The turmoil of the last year and uncertain job security, financial hardship and a lack of social contact have led to increased stress across the working population.

As restrictions ease, teams are returning to the office in search of social interaction, collaboration and better mental health. Employers must provide reassurance that the environment will be safe.

What this means to Workspace
Our business centres are characteristically low-rise, with spacious receptions and breakout areas, that rarely require lifts. We work with architects to design environments that support wellbeing and help prevent poor health. Windows are sized and floorplans designed to flood the buildings with light, and a range of quiet and breakout areas across multiple floors deter sedentary working. Our broad spread of locations also encourages cycling to work and many of our customers are local with no need to take public transport.

Throughout the last year, we ran a series of popular wellbeing webinars for customers, offering tips and insights on how to implement wellbeing initiatives and create a positive company culture remotely.

Since the beginning of the pandemic, we have introduced extensive measures at our business centres to protect staff and customers from Covid-19, including enhanced cleaning regimes, screens, social distancing markings and one-way systems, as well as providing FAQs and other practical resources for customers on our website.

76%
of people believe their employer should be doing more to protect their mental health[1]

1. Oracle and Workplace Intelligence Report, 2020

5. Landlords and customers must work together to meet net zero carbon targets

42%
reduction in Workspace's absolute Scope 1 greenhouse gas emissions by 2030

100%
renewable electricity sourced by Workspace

The built environment contributes around 40% of the UK's total carbon footprint[1].

Increasingly eco-conscious customers prefer to take space in buildings with WELL and green features, and favour landlords who seek to reduce their environmental impact. The Government announced its target to meet net zero carbon emissions by 2050, which was matched by the industry's Better Buildings Partnerships' ('BBP') Climate Change Commitment.

What this means to Workspace
This year we brought forward our target to become a net zero carbon business to 2030. We published our pathway explaining how we plan to reduce our emissions across our operations and supply chain in line with our approved Science Based Targets. Many of our buildings are older and some listed, and therefore need to be carefully retrofitted without altering their appearance or character. We directly manage our buildings and foster close relationships with our customers, giving us a unique opportunity to collaboratively drive down emissions, whilst our in-house facilities management team gives us greater control over our operational energy consumption.

We are targeting a 42% reduction in Scope 1 greenhouse gases, and installing solar panels for all new developments and major refurbishments where possible, as well as on several existing buildings. We will continue to source 100% renewable electricity and adopt a carbon offsetting approach for the remaining emissions.

This year, we also issued a £300m green bond to finance and refinance green projects.

1. UKGBC website, 2021

OUR STRATEGY

Creating value for our customers, our shareholders and our communities.

Our purpose
Our purpose is to give businesses the freedom to grow because we believe that in the right space, teams can achieve more. Now more than ever we are able to offer the right space and support for customers by creating the communities and environments their teams need to thrive.

We have rearticulated our strategy
The fundamental objective of our strategy remains consistent: to nurture employment-led regeneration of London through inspiring, flexible work space. Our strategy to achieve this has evolved to focus on our unparalleled customer offer, strong operational leadership and driving forward our ESG agenda.

Driving customer-led growth...

Cement our position as home to London's brightest businesses
- Reinforcing our differentiated customer proposition to capture demand and grow market share
- Raising our profile amongst target customers and stakeholders

Continually enhance customer experience
- Ongoing improvement of our flexible offer and service to retain customers and drive occupancy
- Focus on customer service, with centre teams creating vibrant communities

Leading in London's flexible office market
- Growing our portfolio of historic and character properties in the right locations

RELEVANT PRINCIPAL RISKS AND UNCERTAINTIES
1, 7, 5

RELEVANT KPIS
Financial: 1, 5, 6
Operational: 1, 2, 3, 4, 5

See page 30

...on a foundation of operational excellence...

Active portfolio management
- Rolling pipeline of refurbishment and redevelopment projects driving value
- Deep knowledge of the London market underpins strategic acquisitions and disposals

Efficient, scalable operating platform
- In-house capability and expertise drives income growth
- Focus on innovation and technology
- Ability to scale without significant cost growth

Prudent financing and strict investment criteria
- Strong balance sheet
- Focus on returns

RELEVANT PRINCIPAL RISKS AND UNCERTAINTIES
2, 3, 4, 7

RELEVANT KPIS
Financial: 2, 3, 4, 7, 8, 9
Operational: 1, 2, 3, 4, 5

See page 31

...whilst always Doing the Right Thing

Driving employment-led regeneration
- Historic buildings repositioned to bring employment and trade to up-and-coming areas
- Supporting local communities and young people through inspiring events and work experience

Creating sustainable environments
- Sustainability at the heart of development planning
- Committed to becoming a net zero carbon business by 2030

Maintaining an empowered, diverse workforce connected to their communities
- Values-driven behaviour – 'Show we care' is an integral part of our culture
- Focus on employee wellbeing and talent development

RELEVANT PRINCIPAL RISKS AND UNCERTAINTIES
3, 7, 8

RELEVANT KPIS
Financial: 7, 8
Operational: 6

See page 32

OUR STRATEGIC PROGRESS

Driving customer-led growth...

CEMENT OUR POSITION AS HOME TO LONDON'S BRIGHTEST BUSINESSES

20/21 achievements
- Launched a new, more intuitive consumer website to grow direct web enquiries and drive organic search
- Delivered an enhanced broker engagement strategy to drive additional enquiries and lettings
- Prepared a brand campaign to raise awareness of our differentiated brand proposition with digital and out of home advertising planned to coincide with the lifting of Government restrictions

21/22 aims
- Launch brand campaign to capture demand and drive brand awareness
- Make significant progress in recovering occupancy

CONTINUALLY ENHANCE CUSTOMER EXPERIENCE

20/21 achievements
- Supported our customers as they faced the effects of the pandemic by offering a 50% discount in Q1
- Implemented significant hygiene and social distancing measures to allow us to safely welcome customers back to our centres
- Rolled out tone of voice workshops across the business in line with new brand positioning

21/22 aims
- Improve capture of feedback to respond more quickly and increase level of customer service
- Launch trial of MyWorkspace mobile app at Kennington Park
- Continue tone of voice training to ensure consistency of communication with customers

LEADING IN LONDON'S FLEXIBLE OFFICE MARKET

20/21 achievements
- Launched two new business centres: Mare Street Studios in Hackney and Lock Studios in Bow
- Used the lockdown periods with fewer customers in centres to upgrade front of house areas, creating more collaboration space which will be increasingly in demand when customers return

21/22 aims
- Let up space at newly launched centres and launch new space at Pall Mall Deposit and new centre, Mirror Works
- Take advantage of acquisition opportunities to grow the portfolio and deliver shareholder value

Wild Cosmetics, based at China Works

CASE STUDY

Wild

Eco-friendly cosmetics start-up, Wild, launched just two years ago, creating the UK's first refillable plastic-free deodorant. Wild's vision to eliminate single-use plastics and unnecessary chemicals in the bathroom has set the company on a rapid growth trajectory.

The natural deodorant company moved into a four-person office at China Works in Vauxhall in the summer of 2019, valuing the flexibility that allowed them to expand quickly. Within a year they doubled to a team of eight and moved into a larger space. The company received £2m in seed funding in 2020, which they are using to grow the brand and invest in their team and technology.

Since then, Wild has again doubled in size to a team of 15, and in May 2021 took on a new, larger space at China Works, which includes their own expansive kitchen, meeting rooms and breakout areas.

OUR STRATEGIC PROGRESS CONTINUED

...on a foundation of operational excellence...

ACTIVE PORTFOLIO MANAGEMENT

20/21 achievements
- Continued to execute our project pipeline, with ongoing refurbishments at Parkhall Business Centre, Pall Mall Deposit, Westbourne Studios and Barley Mow Centre
- Obtained planning consent for Riverside, a major mixed-use redevelopment in Wandsworth to deliver a new 104,000 sq. ft. business centre and 65,000 sq. ft. of new light industrial space, as well as 402 residential apartments

21/22 aims
- Obtain planning consents for Morie Street and Havelock Terrace
- Progress refurbishments of Leroy House and The Biscuit Factory
- Sale of residential components at Riverside and Highway Business Park

EFFICIENT, SCALABLE OPERATING PLATFORM

20/21 achievements
- Ensured customers have the right space, enabling them to expand or contract in line with their business needs
- Continued to generate enquiries and manage viewings and lettings despite very challenging operating environment

21/22 aims
- Complete trial and launch customer app to improve engagement and enhance customer experience

PRUDENT FINANCING AND STRICT INVESTMENT CRITERIA

20/21 achievements
- Strengthened the balance sheet with the issuance of Workspace's first green bond, raising £300m of debt, extending our maturities and reducing cost of debt
- Maintained low LTV of 24%

21/22 aims
- Deploy green bond proceeds
- Increased liquidity gives us significant firepower to progress our refurbishment and redevelopment pipeline and pursue acquisition opportunities

CASE STUDY

£300m green bond issuance

Sustainability has long been at the heart of what we do at Workspace, with our focus on employment-led regeneration of parts of London. As we considered our refinancing plans this year, it was therefore a natural step to look at green finance.

We issued our first green bond, and indeed our first public bond, in March 2021, raising £300m to finance and refinance eligible green projects. We had significant interest from fixed income investors and the bond was oversubscribed.

The successful issuance has further strengthened the balance sheet, extending our maturities and reducing cost of debt, while also aligning our financing strategy with our broader sustainability goals.

£300m
green bond

Green Finance Framework, page 42

OUR STRATEGIC PROGRESS CONTINUED

…whilst always Doing the Right Thing

DRIVING EMPLOYMENT-LED REGENERATION

20/21 achievements
- Letting up Brickfields and Lock Studios, which are fantastic destinations for small businesses in the emerging areas of Hoxton and Bow
- 38 Workspace volunteers took part in virtual CV workshops and interview practice sessions for disadvantaged young Londoners
- Conducted a review of our social impact work

21/22 aims
- Scale up InspiresMe programme to provide inspiration, knowledge, support and experience to those in our communities at the greatest risk of NEET (Not in Education, Employment or Training)
- Deliver development projects in line with our net zero carbon ambitions

CREATING SUSTAINABLE ENVIRONMENTS

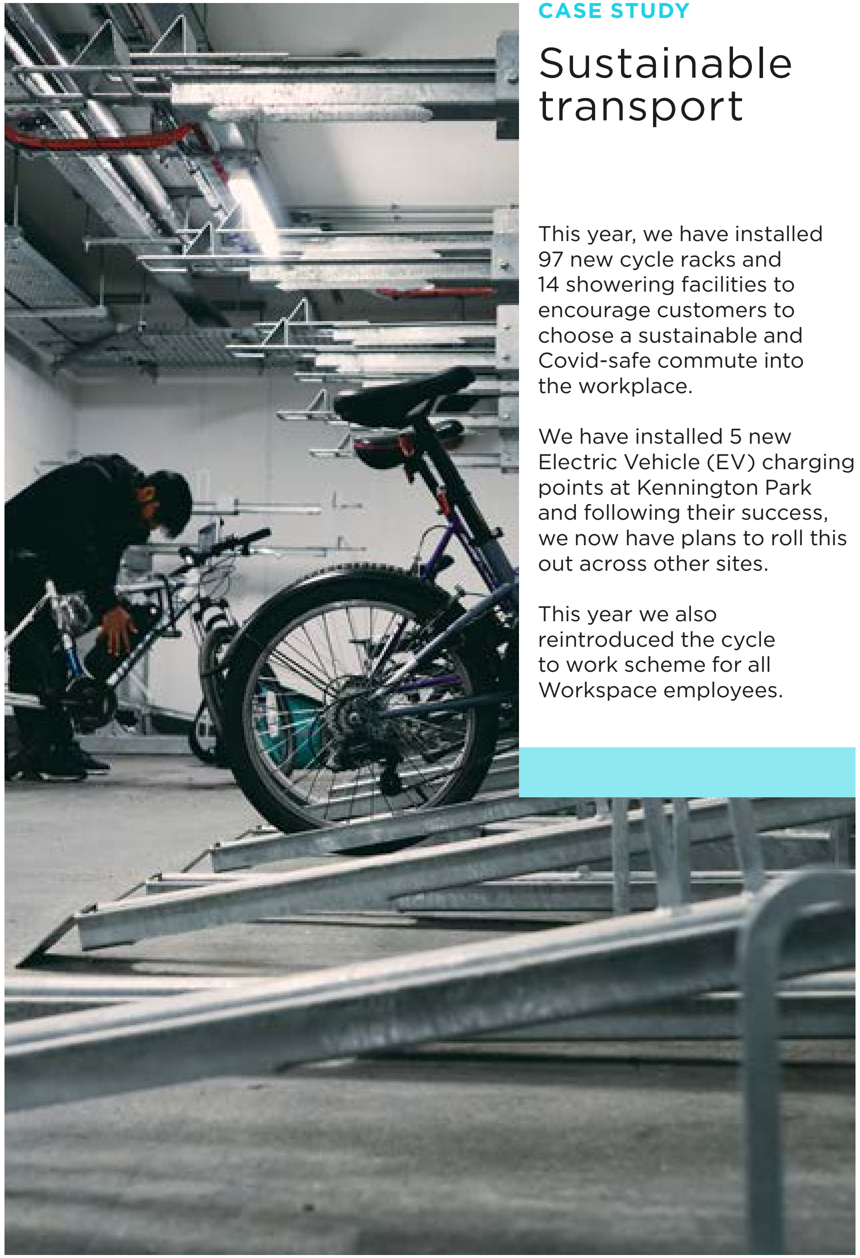
20/21 achievements
- Committed to becoming a net zero carbon business by 2030 and published our pathway to achieve that goal in line with our Science-Based Targets
- Reduced absolute Scope 1 & Scope 2 GHG emissions by 28% from our baseline year of 2012/13, ahead of our target reduction of 16%
- Installed 97 new cycle storage spaces and 14 showering facilities, as well as launching a trial of Electric Vehicle charging points to encourage use of green transport

21/22 aims
- Install solar PV systems at additional properties
- Develop comprehensive climate change resilience strategy for the portfolio

MAINTAINING AN EMPOWERED, DIVERSE WORKFORCE CONNECTED TO THEIR COMMUNITIES

20/21 achievements
- Formed an ESG Committee to oversee management of the risks and opportunities associated with climate change and provide strategic direction for our social and governance activities
- Conducted an employee survey and held regular town hall events to keep employees connected during lockdowns
- In partnership with Workspace customers, hosted a series of virtual wellbeing events and festivals for customers and employees, with over 1,000 attendees across 26 sessions

21/22 aims
- Launch new employee benefit, Health Shield, with a range of health and wellbeing solutions
- Offer employee volunteering opportunities with new charity partner, Single Homeless Project



CASE STUDY

Sustainable transport

This year, we have installed 97 new cycle racks and 14 showering facilities to encourage customers to choose a sustainable and Covid-safe commute into the workplace.

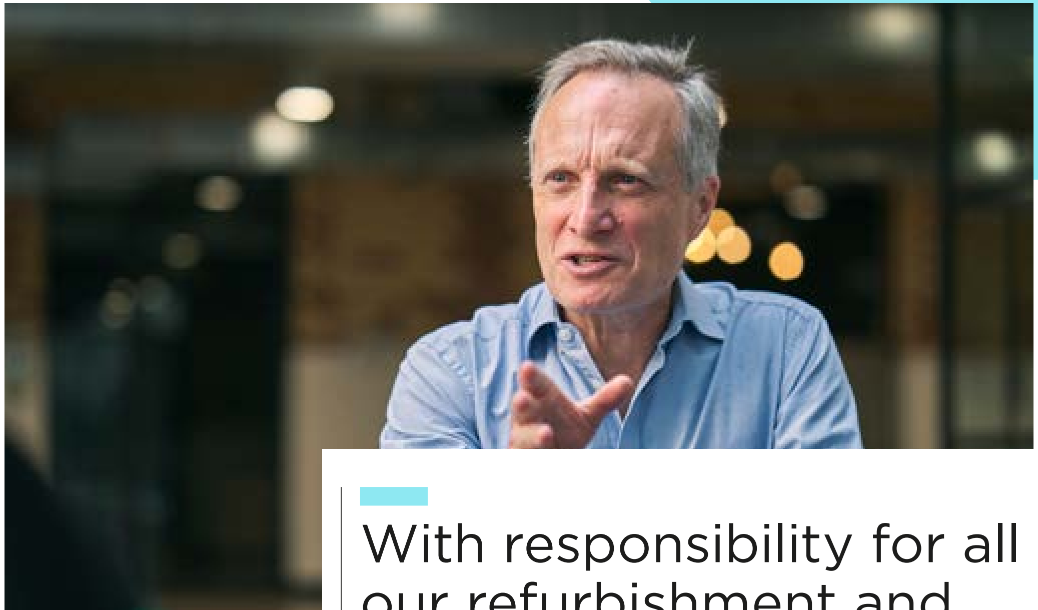
We have installed 5 new Electric Vehicle (EV) charging points at Kennington Park and following their success, we now have plans to roll this out across other sites.

This year we also reintroduced the cycle to work scheme for all Workspace employees.

OUR STRATEGIC PROGRESS CONTINUED

Q&A with the Executive Team

ANGUS BOAG
DEVELOPMENT DIRECTOR



With responsibility for all our refurbishment and redevelopment projects, Angus is focused on creating sustainable environments for our customers.

Q What happened to the refurbishment and redevelopment projects during the pandemic?

A In line with Government guidelines, we were able carry on with all the projects we had on site, albeit with strict social distancing and increased hygiene measures in place.

We had just completed two major new projects at the start of the pandemic and were fortunate that we did not have any major projects due to begin during the year so it was a relatively capex-light year in terms of our pipeline.

We are now full steam ahead with several projects underway currently and I am particularly excited about the imminent opening of Pall Mall Deposit in West London, which is a beautiful old furniture depository that we've refurbished, creating 59,000 sq. ft. of new and upgraded space, and the launch later in the year of Mirror Works in Stratford, a brand new building in an exciting part of London.

> "All new buildings are being designed as BREEAM Excellent."

Q How are you ensuring your buildings meet the ever increasing ESG requirements?

A We were already one step ahead with our target that all new buildings be designed as BREEAM excellent.

Our energy usage is already lower than many other fully air conditioned buildings. We have a rolling programme of replacing gas boilers with ground or air source heat pumps and we source 100% renewable electricity.

As well as working with customers to reduce operational carbon emissions, we also aim to drive down embodied carbon, in line with our strategy to repurpose and recycle old, character buildings rather than always build new properties.

DOING THE RIGHT THING

Overview

"We are delivering on our commitment to become a net zero carbon business by 2030 and drive employment-led regeneration across London."

Graham Clemett
CEO

Approach

Driving forward our Environmental, Social and Governance ('ESG') agenda is a top priority for Workspace. ESG has become increasingly important to our stakeholders, particularly customers, investors and employees. In order to attract London's brightest businesses, we aim to exceed their ESG expectations and ensure our service can provide them with the tools to manage their own environmental and social impact.

To achieve this, ESG considerations are embedded in all stages of our properties' lifecycle and business-wide strategic decisions. Our ESG strategy covers development practices, operational emissions and our social impact. It enables us to operate responsibly in our dealings with all stakeholders and reinforces our commitment to the sustainable long-term growth of our business and to the employment-led regeneration of London. We have mapped our strategy against the UN Sustainable Development Goals ('SDGs') to ensure our objectives and targets are aligned with global ambitions.

Leadership oversight

The highest level of responsibility for our ESG strategy, accountability and performance lies with the Board of Directors and our Chief Executive Officer. The Board is aware of the risks and opportunities associated with ESG and is supportive of the ambitious objectives and targets that have been set.

"We acknowledge there is a climate emergency and recognise that the building and construction industry significantly contributes to the global carbon footprint. This is why we want to play our part in Building Back Better and transition to a green economy, by becoming a net zero carbon business by 2030. First and foremost, we are focusing our efforts on driving down our operational and embodied carbon emissions in line with our approved science-based targets, aligned to limit global warming to 1.5°C."

Graham Clemett
CEO

DOING THE RIGHT THING CONTINUED

OVERVIEW CONTINUED

Materiality

Our ESG strategy is based around the key material issues that are most relevant to our business and value chain. These issues are addressed within the three key themes of our Doing the Right Thing framework (see overleaf) to ensure that we are creating value for all stakeholders.

This year we appointed a social impact consultancy to review our social issues in more detail and advise us on how we can measurably improve our impact. The study involved a stakeholder analysis and engagement, including interviews with a variety of stakeholders and a detailed review of the social challenges in the boroughs where we operate. The outcomes of the study were insightful, and are detailed on page 54.

Our five key material issues are:
- Climate change
- Resource efficiency
- Human rights
- Stakeholder engagement
- Community engagement

ESG ratings and memberships:

ESG ratings:

CDP A LIST 2020 CLIMATE

A

and supplier engagement leader

EPRA sBPR GOLD

Gold

EPRA Sustainability Best Practice Recommendations Award

GRESB 2020

78

Real Estate Assessment Score

81

Development Assessment Score

A

Public Disclosure Score

FTSE4Good

3.6

absolute rating out of 5

89%

relative percentile score

HEALTHY WORKPLACE MAYOR OF LONDON

Foundation

Foundation Level Accreditation

Memberships:

BBP Better Buildings Partnership

BPF British Property Federation

Islington Sustainable Energy Partnership Member

DOING THE RIGHT THING CONTINUED
OVERVIEW CONTINUED

Doing the Right Thing framework

Key themes: | Areas of focus: | SDGs:

1. Climate change mitigation and resilience

See page 37

- Net zero carbon by 2030
- Reduce GHG emissions in line with our SBTs
- Continue to improve climate-related financial risks and opportunities reporting using the TCFD framework
- Set up a Green Finance Committee
- Maximise on-site renewable energy generation
- Reduce waste generation and reach recycling target of 76%
- Provide sustainable transport facilities
- Engage with supply chain and customers

SDGs: 7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action

2. Looking after our people

See page 45

- London Living Wage compliant by April 2022 for all employees and contractors
- Environmental and social objectives for all employees
- Ethical/environmental fund option offered in addition to default pension fund
- Gain a better understanding of the ESG goals and performance of our supplier base
- Improve Equality, Diversity and Inclusion data collection and analysis
- Annual employee survey and town hall Q&A sessions
- Incorporate wellbeing into our Charity & Social Committee to organise events throughout the year
- Introduce Health Shield employee benefit programme
- Refresh recruitment policy
- Deliver enhanced induction programme for new joiners

SDGs: 3 Good health and well-being; 5 Gender equality; 8 Decent work and economic growth

3. Inspiring the next generation and supporting our communities

See page 51

- Scale up our InspiresMe youth programme
- Utilise our customer and supplier network to expand our InspiresMe youth programme to reach more young people
- Continue career and interview workshops for young people in the parts of London where we operate
- Host inspirational talks at our centres, creating a vibrant hub for the community
- Conduct a social value measurement exercise for our social and community activity and regularly report against it
- Roll out Social Impact Policy and Management Framework

SDGs: 4 Quality education; 10 Reduced inequalities

Climate change mitigation and resilience

Climate change mitigation is a cornerstone of our ESG strategy. In recent years, we have made significant progress, notably with a 28% decrease in greenhouse gas emissions in 2019/20, compared to our original 2012/13 baseline. We are now taking our climate ambitions one step further, with our net zero carbon strategy.

Targeting net zero carbon by 2030

To reach our goal to become a net zero carbon business by 2030, we are reducing our emissions across our operations and value chain in line with our approved science-based targets, which are in turn aligned with limiting global temperature rise to 1.5°C above pre-industrial levels.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

See page 40

DOING THE RIGHT THING CONTINUED

CLIMATE CHANGE MITIGATION AND RESILIENCE CONTINUED

Our carbon footprint

Before getting into the details, it is important to first understand our carbon footprint. To illustrate this, we have used our 2020/21 carbon emissions, which totalled 44,246 tonnes of carbon (equivalent to the annual energy usage of 10,923 average UK households), and have split the emissions up into our business and value chain activities.

The GHG Protocol Corporate Standard classifies a company's GHG emissions into three 'scopes':

Net zero carbon pathway, see page 40

SCOPE 1

Scope 1 emissions are direct emissions from owned or controlled sources. Our Scope 1 emissions are essentially our gas and fugitive emissions (refrigerants for air conditioning).

2,887

Natural gas	**2,028**
Fugitive emissions	**857**
Vehicle emissions	**2**

SCOPE 2

Scope 2 emissions are indirect emissions from the generation of purchased energy, i.e. our electricity consumption. Scope 2 can be reported as location-based or market-based. A location-based method reflects the average emissions intensity of the grid whereas a market-based method reflects emissions from electricity purchased from a supplier, allowing zero emissions to be reported for contracts on a renewable energy tariff. Our Scope 2 market-based emissions are zero because we procure 100% renewable electricity, and our Scope 2 location-based emissions are 4,719tCO_2e. To be fully transparent, we have used our location-based emissions in the chart (right).

4,719

Electricity (location based)	**4,568**
Purchased heat (location based)	**151**
Electricity (market based)	**0**

SCOPE 3

Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain, including both upstream and downstream emissions. The majority of our Scope 3 emissions are from the embodied carbon associated with our refurbishment and redevelopment activities. 3.5% of our total emissions are from 'purchased goods and services' which includes maintenance, service charge recoverable items and minor capex items. Some of our customers' energy falls under our Scope 3 emissions where they procure their energy directly from the supplier.

36,640

Embodied carbon in development projects	**32,307**
Customers' direct energy procurement	**2,053**
Purchased goods and services	**1,529**
Purchased electricity transmission & distribution	**393**
Water treatment	**126**
Employee commuting	**121**
Water supply	**61**
Waste management	**41**
Heat transmission & distribution	**8**
Business travel	**0**

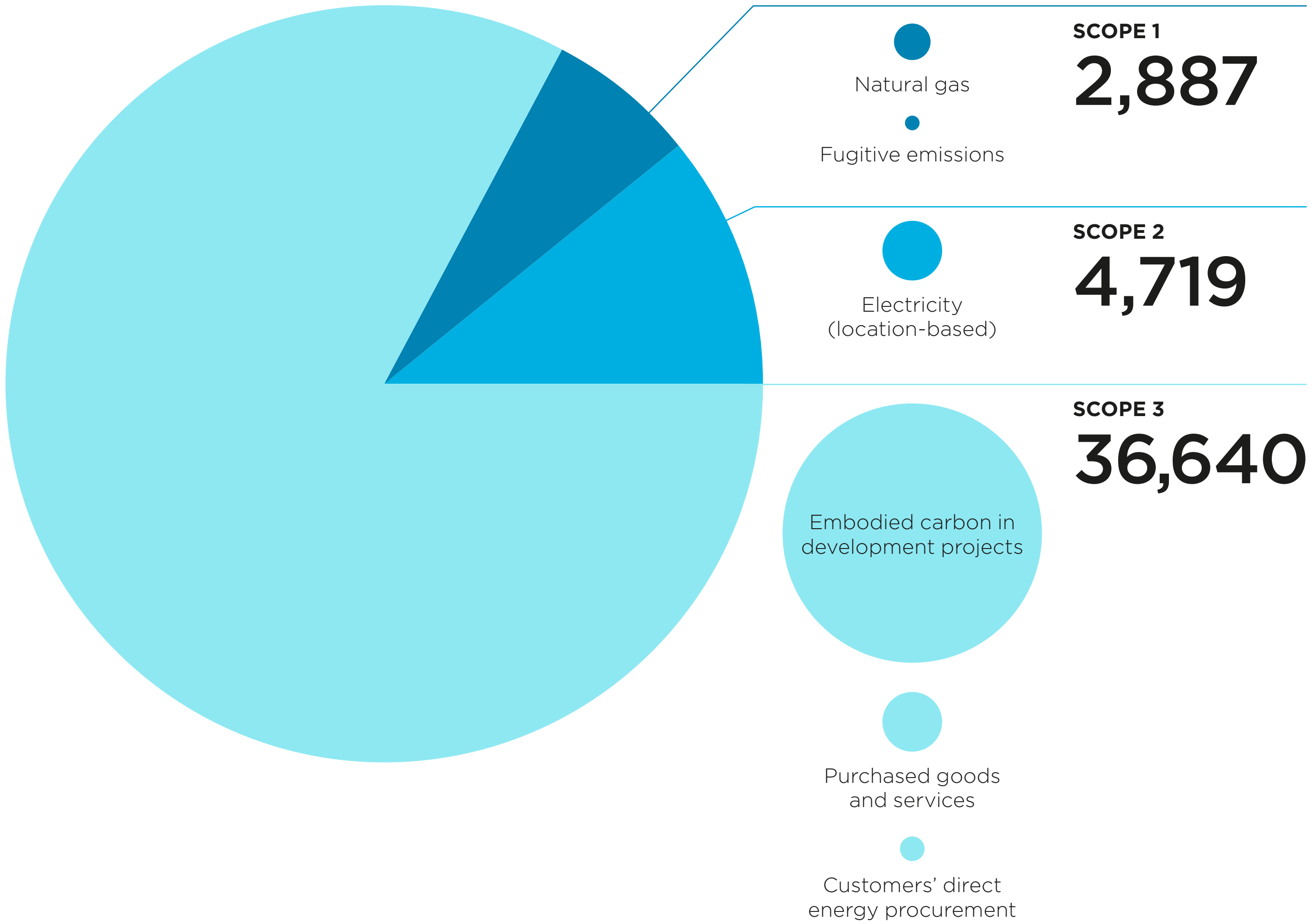
DOING THE RIGHT THING CONTINUED

CLIMATE CHANGE MITIGATION AND RESILIENCE CONTINUED

OUR CARBON FOOTPRINT CONTINUED

Our Scope 1 and 2 emissions make up only 17% of the total emissions, and although these look insignificant compared to our Scope 3 emissions, they are essentially our operational emissions that we have control over and therefore take full responsibility for. The majority of Scope 3 emissions are associated with our refurbishment and redevelopment activities.

LOCATION-BASED SCOPE 1, 2 AND 3 GHG EMISSIONS



DOING THE RIGHT THING CONTINUED

CLIMATE CHANGE MITIGATION AND RESILIENCE CONTINUED

Net zero carbon pathway by 2030

In September 2019, Workspace signed up to the Better Buildings Partnership ('BBP') Climate Change Commitment to deliver net zero carbon real estate portfolios by 2050. Since then we have carried out a review of our business and value chain emissions and have brought this forward to 2030.

This will be a significant challenge, particularly given that many of our buildings are older, with some listed, and therefore need to be carefully retrofitted without altering their appearance or character. Wherever possible, we aim to retain the existing structures and repurpose our buildings, transforming them into modern spaces, whilst saving on embodied carbon.

We directly manage our buildings and foster close relationships with our customers, giving us a unique opportunity to collaboratively drive down emissions, whilst our in-house facilities management team gives us greater control over our operational energy consumption. We will increasingly be supporting and engaging with all of our stakeholders to deliver this commitment and look forward to sharing our progress.

To help us achieve our net zero carbon goal, we have developed science-based targets ('SBTs') which are aligned with the Intergovernmental Panel on Climate Change ('IPCC') 1.5°C report. These targets have been approved by the science-based targets initiative ('SBTi') and cover both our operational and embodied carbon emissions.

The full net zero carbon pathway can be found on www.workspace.co.uk/investors/doing-the-right-thing

OPERATIONAL CARBON (ENERGY, WATER AND WASTE)

SCIENCE-BASED TARGETS

-42% Reduce absolute Scope 1 GHG emissions 42% by 2030 from a 2020 base year

- All new developments and major refurbishments to have electric heating and cooling systems
- Retrofit existing assets with electric heating and cooling systems
- Reduce heating demand by improving wall and ceiling insulation
- Reduce performance gap between design and in-use by following Soft Landings or NABERS Design for Performance Framework
- Look to obtain asset level energy efficiency ratings such as BREEAM in-use or NABERS UK
- Accelerate energy efficiency upgrades including LED/PIR lighting, BMS optimisation
- Improve energy monitoring and controls
- Customer engagement to help them understand and drive down their emissions

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

EMBODIED CARBON

SCIENCE-BASED TARGETS

-20% Reduce Scope 3 GHG from capital goods 20% per sq. ft. of net lettable area by 2030 from a 2020 base year

- All new developments and major refurbishments to have an embodied carbon assessment
- Take embodied carbon into account when making development decisions
- Set specific embodied carbon reduction targets for new developments and major refurbishments
- Reduce the embodied carbon of development projects (using low carbon materials)

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

RENEWABLES PROCUREMENT

SCIENCE-BASED TARGETS

100% Continue annually sourcing 100% renewable electricity through to 2030

- Procure green gas upon next contract renewal[1]
- Investigate opportunities to engage in power-purchase agreements (PPAs) to further drive the renewables market
- Survey customers who procure their own energy to gather data on existing renewable procurement, and use this to build on our existing strategy to encourage renewable procurement among customers

1. Backed by a REGO (Renewable Energy Guarantees of Origin) certificate.

7 AFFORDABLE AND CLEAN ENERGY

DOING THE RIGHT THING CONTINUED

CLIMATE CHANGE MITIGATION AND RESILIENCE CONTINUED

NET ZERO CARBON PATHWAY CONTINUED

ON-SITE GENERATION

- Install solar PV systems for all new developments and major refurbishments where possible
- In addition, aim to install solar PV systems for the six sites identified in the feasibility study carried out in 2020
- Continue to review the portfolio to identify further opportunities for on-site renewable energy generation

7 AFFORDABLE AND CLEAN ENERGY

OFFSETTING

- Develop our company principles and approach to offsetting
- Explore internal carbon pricing options and setting up a decarbonisation fund
- Explore opportunities and the costs and benefits associated with investing in sustainable practices within our own supply chain (insetting)

7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION

THIRD-PARTY VERIFICATION

- Extend scope of GHG emissions verification level
- Review science-based targets annually to ensure alignment with science and re-baseline if necessary
- Review carbon offsetting verification schemes to ensure they are aligned with our principles
- Support an industry net zero carbon certification for real estate

CASE STUDY

Solar PV performance

We currently have 13 solar photovoltaic ('PV') installations across the portfolio. Our total solar power generation over the past four years has increased by 221% to 157,953 kWh. We install solar PV systems at all new developments where possible and have carried out feasibility studies to retrofit systems at six of our existing sites, with plans to install in 2021/22. Although we procure 100% renewable electricity across the portfolio, on-site generation will deliver a return on investment over time and play a part in our net zero carbon target.

SOLAR PV GENERATION

157,953 kWh

+22%

2021	157,953
2020	129,553

Solar panels at Barley Mow

DOING THE RIGHT THING CONTINUED

CLIMATE CHANGE MITIGATION AND RESILIENCE CONTINUED

Green finance

Our focus on sustainability is embedded across all our decision-making process, including our financing strategy. This year, Workspace developed a Green Finance Framework, under which it can raise debt to support the financing and refinancing of activities of an environmental nature. These are collectively known as Green Debt Instruments ('GDIs').

In March 2021, Workspace issued its first green bond, in accordance with the Green Finance Framework. The framework is aligned with ICMA's Green Bond Principles (2018 edition) and LMA's Green Loan Principles (2021 edition) and addresses UN SDGs 7, 11, 12 and 13.

The £300m of proceeds will be used to finance or refinance eligible green refurbishment and redevelopment projects, reinforcing the role Workspace plays in the employment-led regeneration of areas across London as a long-term owner of historic and character buildings in the Capital.

Glossary

See page 241

"This green bond, which further strengthens our balance sheet, is the first issued under our Green Finance Framework, which will continue to be a core pillar of our financial strategy and underscores our commitment to sustainable investment and development practices."

Dave Benson
Chief Financial Officer

The five pillars of our Green Finance Framework

1. Use of proceeds

Eligible green projects ('EGPs'):
- Green buildings
- Eco-efficient and/or circular economy adapted products, production technologies and processes
- Renewable energy
- Clean transportation
- Energy efficiency
- Climate change adaptation
- Pollution prevention and control (waste management)
- Clean transportation
- Sustainable water and wastewater management

2. Projects evaluation and selection

- As part of the management of its Green Finance Framework, Workspace intends to set up a Green Finance Committee
- The Workspace Green Finance Committee will be responsible for final approval of:
  a. Updates to the framework, to ensure alignment with relevant market standards and Workspace's sustainability strategy
  b. Selection of GDIs aligned with the framework
  c. Selection of EGPs
  d. Management of proceeds
  e. Reporting on the use of proceeds and their impact
  f. Overseeing external review process of the framework

3. Management of proceeds

- Workspace intends to allocate an amount equivalent to the proceeds from the GDI to an EGP portfolio
- Funds will be drawn from the GDI to finance only the qualifying expenditure on EGPs or to refinance expenditure on green projects which have previously been funded from other sources
- The Group aims, over time, to achieve a level of allocation for the EGPs which matches or exceeds the balance of net proceeds from its outstanding GDIs

4. Reporting

- As per market standards, Workspace will disclose publicly both allocation and impact information in relation to GDIs issued.

Allocation report:
- The aggregated amount of allocation of the net proceeds to the EGP at category level;
- The proportion of net proceeds used for financing versus refinancing
- The balance of any unallocated proceeds invested in cash and/or cash equivalents

Impact report:
- Workspace will periodically provide qualitative and quantitative environmental performance reporting of the EGPs

5. External review

- Workspace commissioned DNV to conduct an external review of this Green Finance Framework
- We were pleased to receive a positive outcome

"On the basis of the information provided by Workspace and the work undertaken, it is DNV's opinion that the Framework meets the criteria established in the Protocol, and that it is aligned with the stated definition of Green Bonds within the Green Bond Principles 2018 and Green Loans within the Green Loan Principles 2021."

(DNV)

DOING THE RIGHT THING
CONTINUED

CLIMATE CHANGE MITIGATION AND RESILIENCE CONTINUED

CASE STUDY

Ink Rooms in Clerkenwell

Environmental and social issues are considered throughout Workspace's properties' lifecycle, of which refurbishments are a critical stage. From the use of responsibly sourced materials, to enabling green transport and giving back to the local community, it is crucial to achieve sustainability objectives on our refurbishment projects if we want to reach our overall ESG goals.

Workspace transformed Ink Rooms' ageing office space to create a vibrant business centre with four floors of modern office and studio space. The fourth floor offers a self-contained unit with its own private terrace with great views of London. The ground floor was transformed into self-contained offices with large shopfront windows and new glass skylights to maximise daylight intake.

Ink Rooms achieved a "Very Good" BREEAM Refurbishment and Fit-out rating, performing particularly well in the management, energy, transport and water sections of the assessment. The building also holds a B-rated Energy Performance Certificate. The project achieved a 41% reduction in carbon emissions compared to pre-refurbishment levels, going from 37.25 $kgCO_2/m^2$ to 22.13 $kgCO_2/m^2$.

41%
reduction in carbon emissions

Ink Rooms

DOING THE RIGHT THING CONTINUED

CLIMATE CHANGE MITIGATION AND RESILIENCE CONTINUED

INK ROOMS CONTINUED

98%
waste diverted from landfill

100%
of timber sourced from sustainable forests

> The project teams worked together to ensure that sustainability was at the heart of the building's design.

Kahroon Tanvir
Senior Project Manager

Features of Ink Rooms' sustainable design

TRANSPORT
The site offers 41 indoor secure cycling bays and five showers and changing facilities. A very high rating was achieved on London's Public Transport Accessibility Level (6a), with an Accessibility index of 35.89.

BIODIVERSITY
A green roof was included in the design, incorporating at least 16 different species, with an aim to create and maintain a functional green roof which maximises biodiversity on site and creates habitat for local wildlife.

HEALTH AND WELLBEING
The lighting was specified to guarantee visual performance and comfort, including daylight dimming controls. The heating and cooling systems were designed to provide excellent thermal comfort in occupied spaces, with temperature controls in each unit to allow customers to adjust levels to match their needs.

Noise levels were reduced through tailored insulation and glazing to meet stringent local authority requirements, with external noise intrusion levels not exceeding 55 decibels in open plan offices. The heating and cooling equipment was also specified to meet specific noise requirements.

ENERGY
Renewable energy is provided by the 12.81kWp solar PV system installed on the roof and low carbon energy is provided from air source heat pumps.

Energy efficiency features include LED lighting with daylight sensors and motion detection, as well as energy-efficient lifts. The building has been designed to be predominantly naturally ventilated, which helps to reduce the site's emissions.

The site presents extensive energy sub-metering. The consumption data is automatically stored on the Optergy energy management software. This allows facility management teams to closely monitor the property's energy consumption profile and make energy efficiency adjustments on an ongoing basis. Customers also have access to the system to view their energy profiles.

WATER
The building is achieving an impressive 51% water use reduction over the BREEAM Baseline – equivalent to 21.63 litres per person per day.

Low-flush toilets of 3.4 litres have been fitted, as well as showers not exceeding 8 litres per minute.

Water metering and a leak detection system were installed in order to continuously monitor and manage consumption.

MATERIALS
100% of the timber used in construction was sourced from legal and sustainable forests (FSC and PEFC). The existing structure and external walls were retained, reducing the amount of new materials required. All new materials were sourced using ISO 14001 and BES 6001 sustainable certification.

WASTE
Construction waste has been reduced through careful procurement, and 1,392 tonnes of waste were diverted from landfill, which is equivalent to approximately 98% of the total non-hazardous waste.

MANAGEMENT
The project scored 37/50 in the Considerate Constructors Scheme, reflecting care taken over appearance, community, environment, safety and workforce.

DOING THE RIGHT THING CONTINUED

Looking after our people

Employees, customers and suppliers

Supporting our employees, customers and suppliers has been a key priority during these uncertain times. From ensuring our centres remained Covid-safe, to offering a 50% rent reduction to all customers for three months at the start of the pandemic, and hosting wellbeing webinars for employees and customers, we have worked hard to look after our people over the last year.

Equity, Diversion & Inclusion	page 47
Health & wellbeing	page 47
Professional development	page 49
Customer support	page 50

Embedding ESG across Workspace

Our Doing the Right Thing ESG strategy is implemented by our ESG Committee made up of employees from across the business. We have committed to facilitate workshops and seminars to equip employees with the relevant skills and knowledge to deliver our ESG targets.

Our induction training programme has been revised so that each new starter receives a two-week induction, including a business overview from the CEO and an ESG introduction from the sustainability team. This year, we also introduced environmental and social objectives for all employees across the business.

Listening to our employees

In May 2020, in the midst of the first national lockdown, an employee survey was sent out to help us understand how employees were feeling and the challenges they were facing. The results informed management on how to best support employees during the lockdown and beyond that, when restrictions were eased. The survey was carried out by a third-party partner, InMoment, and all responses were confidential.

In addition to the survey, employees were offered the opportunity to ask the CEO and other members of the Executive Team any questions they had at virtual town hall meetings held each quarter. These meetings covered a number of different themes, including updating employees on our financial results, how we were supporting customers through the pandemic and our new brand proposition.

Employees were also encouraged to attend the regular employee engagement breakfast sessions with Stephen Hubbard, our Chairman. These sessions, held several times during the year, involve a different group of eight employees who put themselves forward to attend. Participants are encouraged to bring forward ideas, issues and questions. Anything shared remains anonymous and the sessions don't include senior managers, to allow employees to be open and honest. The ideas discussed then help inform improvements to the business and employee wellbeing.

As employees returned to centre offices and our head office, we put in place Covid-secure measures, including sanitising stations, perspex screens between desks and one-way systems to promote social distancing, as well as providing FAQs and video content to ensure staff understood the safety measures in place.

DOING THE RIGHT THING CONTINUED
LOOKING AFTER OUR PEOPLE CONTINUED

Q&A with the Executive Team

CLAIRE DRACUP
HEAD OF PEOPLE

Claire is responsible for HR, training and people development across the Company with a focus on enhancing customer service and experience.

Q How important has the Workspace culture been in managing the business through the last year?

A Our culture, with its focus on customer service and looking after one another, has had a huge impact on our success and ability to continue to deliver services this year. During the first lockdown, we had Relief Managers picking up Centre Managers without cars, collecting sacks of post from postal sorting offices and sorting through it to make sure customers received their post.

Everyone rallied round to cover shifts and support colleagues with childcare issues and our Facilities Managers worked around the clock to make our buildings safe for customers.

I am so proud of the way our employees have gone out of their way this year to support customers and each other. They've demonstrated commitment, team spirit, a desire to help and succeed, with bags of creativity to come up with innovative solutions.

Our focus going forward is now to build on the existing culture to drive ongoing improvements to customer service and ensure this permeates through the different roles across the Company.

> "I am so proud of our employees who have gone out of their way to support customers and each other."

Q The pandemic has highlighted the importance of employee wellbeing. What is Workspace doing to look after its people?

A This has become a really important area for Workspace and we've launched some great new initiatives this year. Our Charity & Social Committee has been expanded to include Wellbeing and we have put in place a programme of activity for the coming year, including continuing our walking webinars which proved so popular during lockdown.

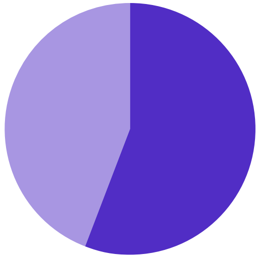
Both our new Head of HR and Office Manager are responsible for driving further enhancements to employee wellbeing and we are launching Health Shield as a new benefit offering a range of physical and mental health support.

DOING THE RIGHT THING CONTINUED
LOOKING AFTER OUR PEOPLE CONTINUED

Equity, diversity and inclusion ('EDI')

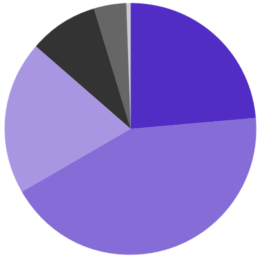
DIVERSITY
As at 31 March 2021

GENDER DIVERSITY OF ALL EMPLOYEES



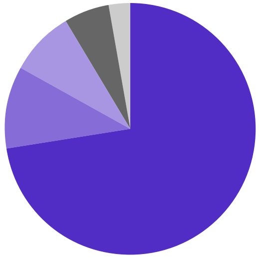
Female	125
Male	98

AGE DIVERSITY OF ALL EMPLOYEES



20-29	53
30-39	96
40-49	44
50-59	20
60-69	9
70-79	1

ETHNIC DIVERSITY OF ALL EMPLOYEES



White	**159**
White British	127
White Irish	5
White other	27
Black	**24**
Black Caribbean	12
Black African	8
Black other	4
Asian	**21**
Asian/Asian British – Indian	7
Asian/Asian British – Bangladeshi	2
Asian Pakistani	1
Asian other	11
Mixed Race	**13**
Other mixed background	13
Did not disclose	**6**

Workspace recognises the value of a diverse workforce. We have reviewed our recruitment processes and training to drive improvements.

We are an inclusive organisation where everyone is treated with respect and dignity. Diversity is embraced and celebrated and there are equal opportunities for all employees. We value our diverse workforce, bringing a welcome mix of skills, experience and knowledge. This enriches our business and contributes to our long-term success.

This year, we partnered with Tectre to provide advice on how we can continue to ensure that Workspace is an inclusive business. The Executive Committee and 78 managers completed a compulsory full-day training session by Tectre on Unconscious Bias with Equality, Diversity and Inclusion. This training is now being rolled out to all employees.

Further plans for 2021/22, include interview guides and training covering inclusivity, fair matrix scoring techniques and constructive feedback. We will be implementing a new recruitment policy and are looking to streamline our recruitment agencies. We plan to work collaboratively to improve our recruitment process right from the start. In order to monitor our progress, we will improve our current data collection and analysis processes.

Health and wellbeing

To support our employees and customers during the pandemic, we hosted a series of virtual wellbeing events and festivals.

We partnered with two experts in this field, Shine and Bodyshot, both Workspace customers. Over the year, Shine hosted 26 sessions with over 1,000 attendees, and Bodyshot delivered five lunchtime workshops for our employees, providing practical tools, tips and resources around mental and physical health.

In March, for National Nutrition Month, we partnered with Outliers Wellbeing to put on a series of 'Walking Webinars' for employees to take exercise while learning about nutrition and energy.

Going forward, we will be formalising our Mental Health & Wellbeing Policy and will incorporate wellbeing into our charity and social committee. The aim is to have a clear action plan for each year with a calendar of events and actions. Our new Head of HR and our new Office Manager both have responsibilities around culture and wellbeing within their job descriptions.

CASE STUDY

Unconscious bias training

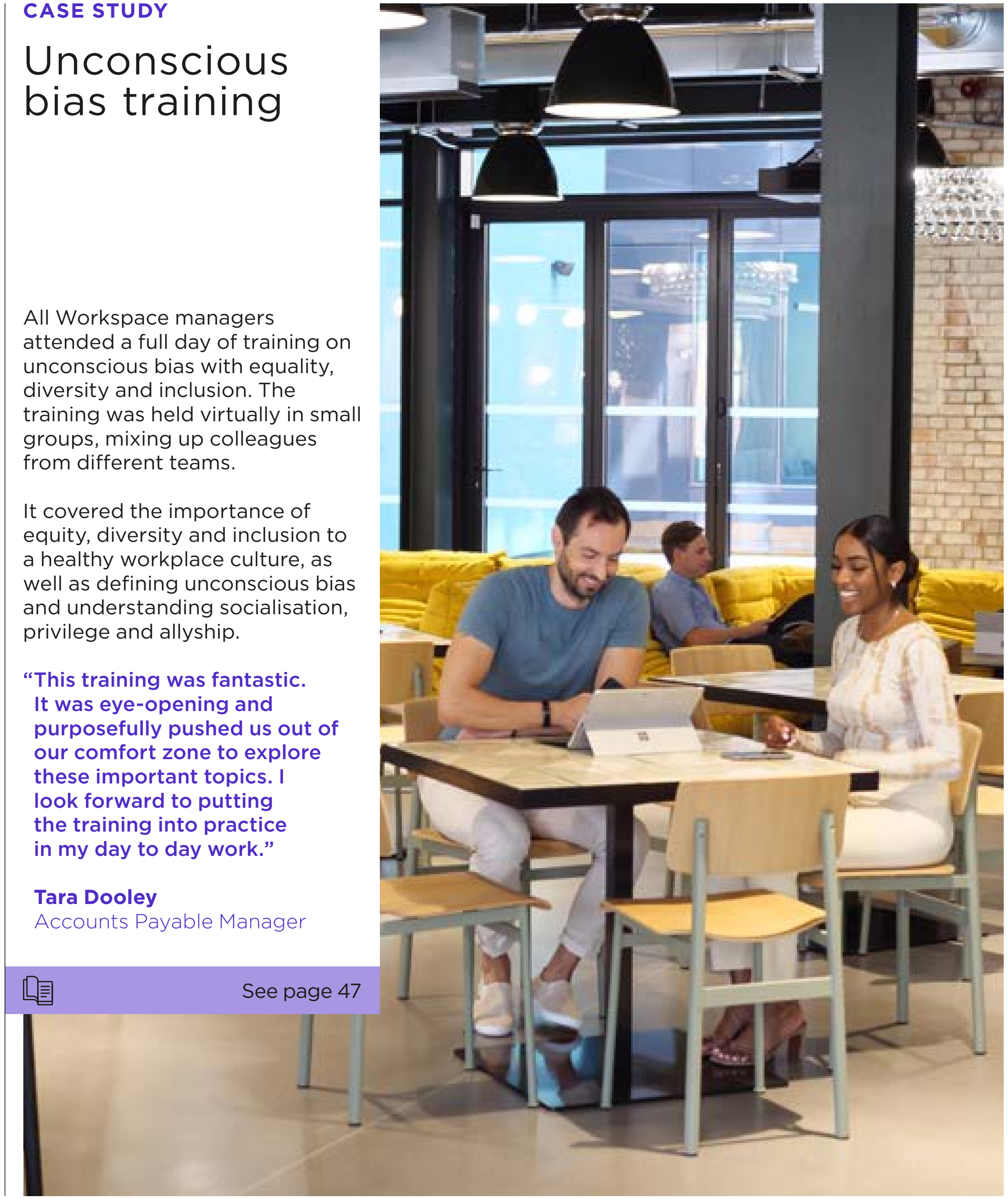
All Workspace managers attended a full day of training on unconscious bias with equality, diversity and inclusion. The training was held virtually in small groups, mixing up colleagues from different teams.

It covered the importance of equity, diversity and inclusion to a healthy workplace culture, as well as defining unconscious bias and understanding socialisation, privilege and allyship.

"This training was fantastic. It was eye-opening and purposefully pushed us out of our comfort zone to explore these important topics. I look forward to putting the training into practice in my day to day work."

Tara Dooley
Accounts Payable Manager

See page 47



DOING THE RIGHT THING CONTINUED
LOOKING AFTER OUR PEOPLE CONTINUED

Employee benefits

Attracting, retaining and developing a dedicated and talented team of employees who embrace our values and culture is an important part of our business strategy. Workspace offers its employees a wide range of benefits, including pension contributions of up to 10%, life insurance and private medical insurance.

All employees may take part in the company Sharesave scheme, allowing them to purchase shares at the end of a three or five year period at a reduced fixed price. We also have long service awards for employees who have completed more than five years' service, and this year 30 members of staff received a long service award.

Our Employee Assistance Programme ('EAP') is available 24/7 for any confidential help employees or their families need. Calls are handled by experienced therapists or advisors who can help and assist on a variety of issues, including but not limited to legal, family, financial, substance abuse, consumer advice, medical, mental health, bereavement, lifestyle, and retirement.

In 2021/22, we plan to introduce a new benefit, Health Shield. Health Shield helps to keep employees and businesses in the best of health, with a range of innovative health and wellbeing solutions, from sports massage to counselling. Members have access to Health Shield PERKS, a website with a large range of discounted retail products and services, offers on travel, and cash back on purchases. Employees will also have access to the NHS-approved app-based programme to aid the prevention, early detection and treatment of depression and anxiety. Users also have access to a live text chat service allowing them to speak to a wellbeing coach and/or a qualified psychologist.

ESG PENSION

Our pension provider Scottish Widows is supporting the transition to a low-carbon economy by integrating ESG considerations into their pension portfolios, including the Workspace default fund. Scottish Widows aim to halve the carbon footprint of their investments by 2030 and have a net zero carbon emissions target across all investments by 2050. In addition to this, Workspace plans to offer employees the opportunity to switch from the default fund to an ethical or environmental pension fund option.

DOING THE RIGHT THING CONTINUED

LOOKING AFTER OUR PEOPLE CONTINUED

Professional development and training

As a people-focused business, investing in the development of our employees is vital to ensure our future success. Providing professional development opportunities enhances employee satisfaction and promotes fresh thinking and innovation. Workspace funds professional membership subscriptions for 30 employees in RICS, CIPD and ACCA. A number of Workspace employees enrolled in professional development courses this year.

We are reviewing our appraisal process in 2021/22, in order to make the best use of individual strengths and address any weaknesses. An annual training programme available to all employees will cover subjects such as:

- People management
- Planning and organisational skills
- Conflict resolution
- ESG
- Unconscious bias
- Sales management & negotiation skills
- Facilities management-related subjects, such as asbestos and fire safety

Suki Aweys at Workspace head office, Kennington Park

CASE STUDY

Suki Aweys, Advanced Professional Certificate in Construction Project Management

As an addition to his Royal Institution of Chartered Surveyors ('RICS') qualification, Suki started the Association for Project Management ('APM') accredited 'Advanced Professional Certificate in Construction Project Management' course in September 2020 running until February 2021. This was a structured programme focusing on Project Management processes, with an emphasis on the construction industry. Following the completion of the course, Suki now has to sit the APM Project Professional Qualification ('PPQ') exam to qualify.

"I took the qualification as I felt I needed to develop my skills as a Project Manager ('PM'), by understanding different tools that can help to deliver a successful project. I also wanted to better understand the people aspect of projects.

Following this course, I hope to become a more efficient PM, obtaining a set process that I understand and apply. I have already applied, where possible, learnings from the course in my day-to-day work, including understanding the value of personalities in a project team and how to navigate this in order to deliver a successful project.

The syllabus has also helped me develop my strategic thinking. As PMs, we can get very focused on the project itself but I am starting to consider the bigger picture and understand the value of business plans and stakeholder management."

Suki Aweys
Senior Project Manager (Programmes) BSc (Hons) MRICS

DOING THE RIGHT THING CONTINUED
LOOKING AFTER OUR PEOPLE CONTINUED

Customer support over the pandemic

During the periods of national lockdown, our business centres remained open with a number of key worker customers still in occupation and other customers visiting on an essential needs basis. Given the impact that the first lockdown had on our customers and their cash flow, we took the immediate decision to offer all our business centre customers an absolute rent reduction of 50% for the three months to the end of June 2020. On a case-by-case basis, we agreed rent deferral plans and, in the second half of the year, we offered short-term lease incentives for new customers joining who would not be using their office until Government restrictions were eased.

In line with Government guidelines, we have taken extensive measures to keep our business centres safe for customers returning to work. These include signage to promote social distancing, screens, hand sanitiser dispensers, one-way systems, restrictions on use of communal areas and increased daily cleaning of the common areas in our business centres. We also supply additional information and resources for customers via our website. The majority of our buildings are low-rise so the severe lift restrictions that needed to be put in place have had limited impact. We have also increased the amount of cycle storage at centres, where possible.

"It is fantastic to be part of The Leather Market Environmental Group – it is a great initiative to bring together the different tenants and get their perspectives and involvement to make their offices and the workspace more sustainable."

Customer at The Leather Market

50%

absolute rent reduction offered to customers for the first quarter of FY21

Customer engagement on ESG

Our Sustainability Team are always happy to respond to the increasing number of customer enquiries around ESG issues. Our customers are asking us questions about our energy contracts, recycling services, energy-saving initiatives and whether the centre they occupy is a certified green building.

To help customers with their ESG ambitions, Workspace's Sustainability Team and Anthesis, a customer based at The Leather Market, co-hosted a webinar on "Activating your business' sustainability aspirations". The discussion centred on how customers can use the UN SDGs and the B Corp framework to help them set their ESG objectives and targets. There were 26 attendees and positive feedback on the 'case study' style content of the session.

There are three customer environmental groups set up at Kennington Park, The Leather Market and Parkhall Business Centre. It has been difficult to set up more this year due to the pandemic but we hope to do so in the coming year. The environmental groups encourage collaboration between customers and the centre teams to reduce their environmental impact through joint initiatives and through sharing energy and recycling data. Customer engagement is vital in order for us to meet our goal of becoming a net zero carbon business by 2030.

Workspace and Sport Pursuit, a customer at Kennington Park, are also part of the Better Buildings Partnership ('BBP') Owner & Occupier Forum, which addresses the key challenges associated with engagement on sustainability issues and how both parties can work collaboratively to achieve their net zero carbon goals.

Supplier engagement and Living Wage

Workspace already pays its direct employees the London Living Wage and we are committing to bring all third-party contractors onto the Living Wage by April 2022. The London Living Wage is based on the cost of living and is voluntarily paid by nearly 7,000 UK employers who believe a hard day's work deserves a fair day's pay.

In order to gain a better understanding of our supplier base, we sent out an ESG questionnaire to all suppliers which included questions around human rights, environmental and social targets and certifications, local and sustainable procurement, diversity, living wage and community engagement. This questionnaire will form part of our supplier onboarding process.

We also provide incentives to our suppliers to drive environmental performance.

For example, our main waste contractor is set ambitious recycling targets each year. We have received external recognition for our engagement with our suppliers and were listed on the CDP Supplier Engagement Leaderboard this year.

This means that Workspace is among the top 7% assessed for supplier engagement on climate change, based on our 2020 CDP disclosure.

We are a Living Wage Employer

CDP SUPPLIER ENGAGEMENT LEADER 2020

DOING THE RIGHT THING CONTINUED

Inspiring the next generation and supporting our communities

Building communities and improving our neighbourhoods through our focus on employment-led regeneration of London over the long term is an important part of our business strategy. In addition to the ESG Committee, we have a Charity & Social Committee, which oversees fundraising, volunteering and social activities for employees and customers. Fundraising activities and volunteering were significantly impacted this year due to Covid-19 restrictions, but thanks to virtual events we were able to action the following initiatives.

Highlights for the year	page 53
Social impact project review	page 54

> **Employment-led regeneration is at the heart of the business. I want our activity to have a real impact on the local community.**
>
> **Graham Clemett**
> Chief Executive Officer

DOING THE RIGHT THING CONTINUED

INSPIRING THE NEXT GENERATION AND SUPPORTING OUR COMMUNITIES CONTINUED

EMPLOYEE VOLUNTEERING

To help our communities recover from the devastating short and long-term impacts of the pandemic, Workspace encourages employees to volunteer by giving employees up to three paid volunteering days per annum. In addition to this, we plan to increase engagement with our customers and suppliers on volunteering opportunities to have an even greater impact.

£50,000

Over £50,000 was raised by Workspace employees for GOSH over a two-year partnership

1,000

£2,500 donated to Kitchen Social, to fund 1,000 meals for children in London

£35,000

£35,000 donated to Single Homeless Project, which has been designated as our new charity partner for the next year

28

28 laptops and iPhones donated to London-based charity XLP

23

Hosted 23 food banks for the Trussell Trust across our centres

38

38 Workspace volunteers took part in the InspiresMe CV and interview workshops for disadvantaged young Londoners

DOING THE RIGHT THING
CONTINUED
INSPIRING THE NEXT GENERATION AND SUPPORTING OUR COMMUNITIES
CONTINUED

Highlights for the year

Social Mobility Pledge

To demonstrate our commitment to social impact, we signed up to the Social Mobility Pledge which focuses on three key areas:

1. **PARTNERSHIP**
Partner with schools or colleges to provide coaching to people from disadvantaged backgrounds.
2. **ACCESS**
Provide structured work experience to those from disadvantaged backgrounds.
3. **RECRUITMENT**
Adopt open employee recruitment practices and promote a level playing field for those from disadvantaged backgrounds.

Our InspiresMe programme covers the first two items; see our plans on page 56 and more information can be found on page 47 about how we are revising our recruitment practices to promote inclusivity.

Charity cycle for NHS heroes

We support members of our staff who want to do individual fundraising activities throughout the year, particularly important in the last year when so many employees have been impacted by the pandemic. Sam Palmes, our Head of Building, took part in a 209-mile charity cycle ride in aid of NHS Heroes in September. Climbing a total of 18,000 ft. of hills, the three-day endurance test saw Sam bicycle from Penzance, the furthest westerly town in Cornwall, through Falmouth and the Eden Project, to Plymouth.

Sam raised £50,000 for NHS frontline staff – from cleaners to catering staff, porters, back office administrators, nurses, health care assistants, paramedics and doctors. The money raised will go towards supporting the health and wellbeing of these incredible individuals, including counselling support and specialist washing facilities for staff treating Covid-19 patients, so they can keep on providing the very best care for their patients.

"It was tough going and there were points I thought I might not finish! But it was hugely rewarding, and I saw some beautiful scenery along the way – all in the name of a great cause."

Sam Palmes
Head of Building

£50k
raised for NHS frontline staff

Food bank collections

Following the success of food bank collections at 23 of our centres, we have put together a step-by-step guide for centre managers with information on how to find their nearest food bank, transport information and promotion tips, so that it's easy for all centres to get involved. To keep up the momentum, we plan to promote the collections leading up to each school holiday which will give families the extra support they need during times when school meals aren't available.

23
collections at 23 of our centres

Virtual work experience

Our InspiresMe programme is a key part of our Doing the Right Thing strategy which aims to support disadvantaged young people in our communities.

This year, due to the pandemic, we organised virtual CV reviews and interview workshops with charities XLP and Inspire. 38 Workspace volunteers took part, engaging with young people. The sessions worked well virtually, and the extra flexibility meant that our centre staff were more able to get involved.

Liliana Cardoso, Assistant Centre Manager at Clerkenwell Workshops, helped run a successful virtual work experience session for Hackney City Academy's year 10 students as part of our InspiresMe programme.

"I was able to share my professional experience as well as provide some (hopefully) good advice. The sessions were exciting and interactive – I answered questions from the young people via video, reviewed their CVs and gave them advice and feedback on career opportunities. I think initiatives like this are very important to help young people on their first steps to initiate their career paths."

Liliana Cardoso
Assistant Centre Manager

DOING THE RIGHT THING CONTINUED

INSPIRING THE NEXT GENERATION AND SUPPORTING OUR COMMUNITIES CONTINUED

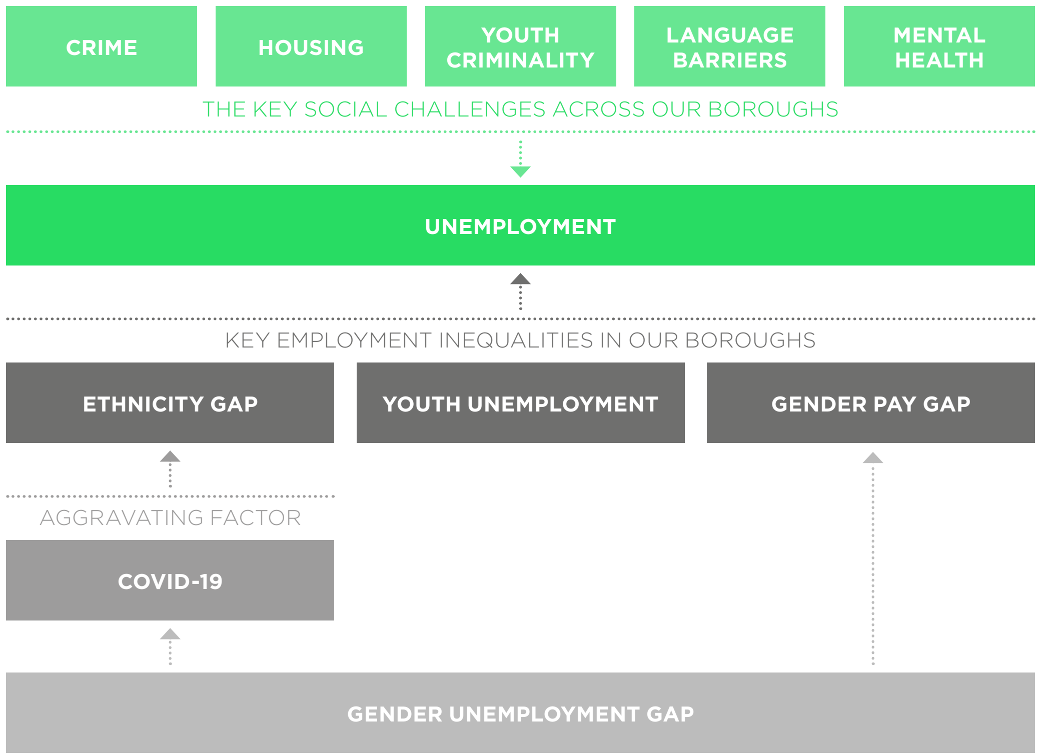
Social impact project review

This year, we conducted a review of our social impact work to help us build on our existing social impact strategy around employment-led regeneration in London.

Social challenges in Workspace boroughs

The starting point of the review was to identify the social challenges within the London boroughs in which we operate, in order to target our activities to communities in need, particularly during and after the pandemic. The key social challenges, all underpinned by unemployment, included housing (cost of living), crime, language barriers, youth criminality, and mental health. These have led to employment inequalities including ethnicity gap, youth unemployment and gender pay gap.

We acknowledge that our communities need businesses like ours to help them, particularly as they recover from the pandemic.



DOING THE RIGHT THING CONTINUED

INSPIRING THE NEXT GENERATION AND SUPPORTING OUR COMMUNITIES CONTINUED

SOCIAL IMPACT PROJECT REVIEW CONTINUED

Internal feedback

We feel strongly that our community activities should align with our Company's overarching brand and commercial strategies. As such, as part of the project, Impact Advisors interviewed 17 internal stakeholders at Workspace to help shape and garner support for the Company's social impact work, including the CEO, Asset Management Director, members of the marketing team and Centre Managers.

Ambition to scale impact but without losing depth

"The previous InspiresMe project felt really good – but we have 3,000 customers and would like to do more. It was never quite big enough."

"We should give our teams freedom within a framework. With our centres well known in their local communities, the right model is a programme that's well organised at a corporate level but executed at a local level."

Strong support for utilising skills base of employees and customers

"80% of our employees have transferable skills that could be really beneficial to our communities."

"Involving employees, and ideally customers as well, is critical – we want them to have skin in the game. Not many property companies can get their customers involved."

Social impact is a priority and now is the time to speak out

"Social impact is definitely a priority. It's very important for the direction of the business. There's lots of potential we haven't yet tapped. We need to co-ordinate it overall, tie it together and leverage its potential."

Measuring impact is critical for all stakeholders

"We need to measure the impact of our work – a challenge in the past has been following up with young people we've worked with so that we can assess the impact we have."

Strong support for employment-led regeneration of London as the main theme

"Employment-led regeneration is at the heart of the business – it's a broader ambition than just social impact – it's our business model."

Strong agreement that impact should be linked to core business

"Any social impact activity needs to be tied to our vision and purpose – which is all about giving businesses the freedom to grow."

DOING THE RIGHT THING CONTINUED

INSPIRING THE NEXT GENERATION AND SUPPORTING OUR COMMUNITIES CONTINUED

Priorities ahead

Scaling up our InspiresMe programme

This is a key part of our Doing the Right Thing strategy, focusing on supporting disadvantaged young people in the areas of London in which we operate.

Following the review, we will be scaling up our InspiresMe programme and re-launching it in the coming year. With our unique blend of inspiring properties and diverse customer, employee and supplier mix, we have the opportunity to inspire a significant number of young people in London.

InspiresMe will be a rolling programme of inspiration, knowledge, support and experience aimed at motivating those in our communities with the greatest barriers to employment, or at greatest risk of NEET (Not in Education, Employment or Training), to grow to their full potential. Potential initiatives include inspirational talks hosted at our centres, CV and career workshops, one-to-one mentoring and structured work experience and apprenticeship programmes.

New charity partner

We have entered a new charity partnership with the Single Homeless Project (SHP), a London-wide charity working to prevent homelessness and help vulnerable and socially excluded people to transform their lives. SHP have 83 hostels across London.

Volunteering opportunities for our employees will include career workshops, outdoor activities, including sports and gardening, and cooking lessons. All employees will be given up to three paid volunteering days a year to get involved in these activities.

In 2020/21, we donated £35,000 to SHP and we have a programme of fundraising and volunteering opportunities planned for 2021/22. These include a half or full marathon walk around Workspace centres and a sponsored adventure.

OUR KEY PERFORMANCE INDICATORS

Financial and non-financial key performance indicators (KPIs) are used to measure our performance and how well we are delivering on our strategy.

FINANCIAL PERFORMANCE

1. NET RENTAL INCOME

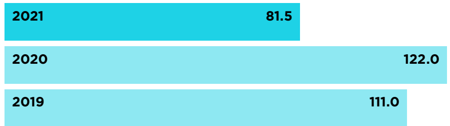
DEFINITION
Net rental income is the rental income receivable after payment of direct property expenses, such as service charge costs, and other direct unrecoverable property expenses.

WHY THIS IS IMPORTANT TO WORKSPACE
This is one of the most important metrics for Workspace as it drives our trading profit, which in turn determines dividend growth.

MOVEMENT IN 2020/21
The decrease in Net Rental Income to £81.5m was driven by the £19.9m of rent discounts we gave customers in the year, the fall in occupancy and average rent per sq. ft., as well as a greater than usual charge for expected credit losses.

NET RENTAL INCOME
-33%

£81.5m



TIME PERIOD MEASURED
Monthly

2. TRADING PROFIT AFTER INTEREST

DEFINITION
Trading profit after interest is net rental income, less administrative expenses and finance costs but excluding exceptional finance costs.

Further details in note 8 to the financial statements.

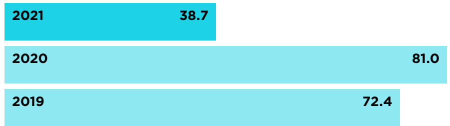
WHY THIS IS IMPORTANT TO WORKSPACE
Trading profit after interest is a key measure for Workspace and determines dividend growth. We report and review this figure at Board level on a monthly basis compared to previous years and to budget.

Trading profit after interest demonstrates the underlying performance of the trading business and strength of our business model. Both the Executive Directors are incentivised on trading profit after interest.

MOVEMENT IN 2020/21
Trading profit after interest for the year was £38.7m, down 52% on the previous year. Net rental income is the key driver of trading profit.

TRADING PROFIT AFTER INTEREST
-52%

£38.7m



TIME PERIOD MEASURED
Monthly

OUR KEY PERFORMANCE INDICATORS CONTINUED

FINANCIAL PERFORMANCE CONTINUED

3. EPRA NTA PER SHARE

DEFINITION

EPRA NTA per share is a definition of net tangible assets as set out by the European Public Real Estate Association. It represents net assets minus any intangible assets after excluding financial derivatives and deferred taxation relating to valuation movements and derivatives divided by the number of shares in issue.

Further details in note 9 to the financial statements.

WHY THIS IS IMPORTANT TO WORKSPACE

EPRA NTA is a key external measure for property companies and is used to benchmark against share price. It is a useful measure for Workspace as it excludes any exceptional items and movements on financial derivatives.

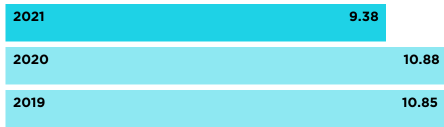
MOVEMENT IN 2020/21

Our EPRA NTA at 31 March 2021 was £9.38, down 13.8% from the prior year.

EPRA NTA PER SHARE

-13.8%

£9.38



TIME PERIOD MEASURED

Six monthly

4. DIVIDEND PER SHARE

DEFINITION

The dividend payment per share in issue.

WHY THIS IS IMPORTANT TO WORKSPACE

We aim to provide good returns for our shareholders, and also work within our REIT requirements for income distribution. Dividend per share is a key measure of the returns we are providing to our investors.

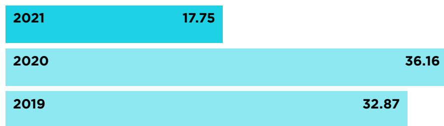
MOVEMENT IN 2020/21

We deferred the decision on paying an interim dividend at the half year due to market uncertainty. Given the robust full year trading profit performance and our committed policy to pay dividends out of earnings, the Board has recommended a final dividend of 17.75p per share.

DIVIDEND PER SHARE

-51%

17.75p



TIME PERIOD MEASURED

Six monthly

OUR KEY PERFORMANCE INDICATORS CONTINUED

FINANCIAL PERFORMANCE CONTINUED

5. LIKE-FOR-LIKE RENT ROLL GROWTH

DEFINITION

Like-for-like properties are those with stabilised occupancy, excluding recent acquisitions and buildings impacted by significant refurbishment or redevelopment activity.

Rent roll is the current annualised net rents receivable for occupied units at the date of reporting.

WHY THIS IS IMPORTANT TO WORKSPACE

Like-for-like rent roll growth is an important measure for our business and shows the performance of our core portfolio of properties. We monitor the like-for-like rent roll on a weekly basis in weekly management meetings and also as a key performance indicator in our monthly Board meetings.

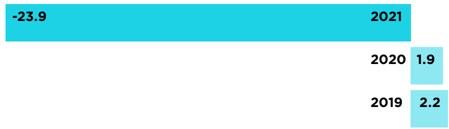
MOVEMENT IN 2020/21

Like-for-like rent roll has fallen 23.9% this year due to occupancy declining as some customers vacated their leases as a result of the pandemic. The decrease in like-for-like rent roll was also driven by a 12.9% fall in average rent per sq. ft.

LIKE-FOR-LIKE RENT ROLL GROWTH

-23.9%

-23.9%



TIME PERIOD MEASURED

Weekly

6. LIKE-FOR-LIKE OCCUPANCY

DEFINITION

Like-for-like occupancy is the area of like-for-like space let divided by the like-for-like net lettable area.

WHY THIS IS IMPORTANT TO WORKSPACE

Like-for-like occupancy, pricing and rent roll give us vital information on the performance of our core properties, and early indicators of any decline in these KPIs mean we can be timely in investigating and reacting to these changes.

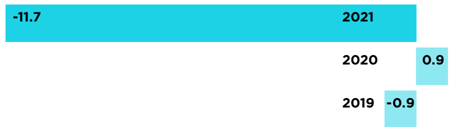
MOVEMENT IN 2020/21

We have seen a significant decline in like-for-like occupancy this year as a result of the pandemic. It fell to 81.6% in the year but we have seen an improving trend in customer activity with occupancy stabilising in the fourth quarter.

LIKE-FOR-LIKE OCCUPANCY

-11.7%

81.6%



TIME PERIOD MEASURED

Weekly

7. PROPERTY VALUATION

DEFINITION

The independent valuation of our property portfolio, currently valued by CBRE Limited.

See note 10 for reconciliation to IFRS carrying value of investment property.

WHY THIS IS IMPORTANT TO WORKSPACE

Our properties are critical to our business and the valuation demonstrates the value we are delivering to our shareholders and a measure of how well we are managing our buildings and driving rental income. Whilst we cannot control yield movements, we can enhance the value of our properties through active asset management, including refurbishment and redevelopment activity.

MOVEMENT IN 2020/21

There was an underlying decrease of 10% in the valuation of our property portfolio in the year. This was driven by decreases in ERV per sq. ft. reflecting price reductions on lettings and renewals in the year.

See Property Valuation section of the Business Review on pages 71 and 80 for more detail.

PROPERTY VALUATION

-10%[1]

£2,324m

TIME PERIOD MEASURED

Six monthly

1. Underlying

OUR KEY PERFORMANCE INDICATORS CONTINUED

FINANCIAL PERFORMANCE CONTINUED

8. TOTAL PROPERTY RETURN

DEFINITION
Total Property Return is the return for the year combining the valuation movement on our portfolio and the income achieved in the year.

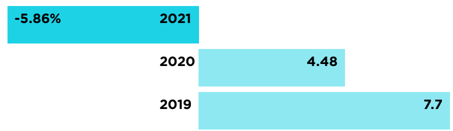
See Glossary of Terms on page 241.

WHY THIS IS IMPORTANT TO WORKSPACE
This measure shows how our property portfolio has performed in terms of both valuation change and income generated. This figure is produced by MSCI, an independent Investment Property Databank ('IPD'), and is compared to a benchmark group so that we can see how we are performing relative to similar companies. Total Property Return, and performance against the benchmark, form part of the bonus objectives for the Executive Directors and LTIPs for all people in schemes.

MOVEMENT IN 2020/21
Capital and income returns have led us to under perform compared to the IPD benchmark this year. This is mainly driven by the decline in property valuation in the year.

TOTAL PROPERTY RETURN

-5.86%



TIME PERIOD MEASURED
Annually

9. TOTAL SHAREHOLDER RETURN

DEFINITION
Total Shareholder Return is the return obtained by a shareholder, calculated by combining both share price movements and dividend receipts.

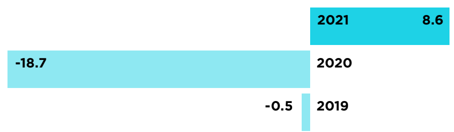
See Glossary of Terms on page 241.

WHY THIS IS IMPORTANT TO WORKSPACE
This measure is important to Workspace as it shows the value that our shareholders receive from investing in Workspace shares. This measure forms part of the performance criteria within our LTIP scheme for those people in schemes.

MOVEMENT IN 2020/21
Total shareholder return has increased due to a recovery in the share price after being adversely impacted at the start of the year by market turmoil, following the outbreak of Covid-19.

TOTAL SHAREHOLDER RETURN

8.6%



TIME PERIOD MEASURED
Annually

OUR KEY PERFORMANCE INDICATORS CONTINUED

NON-FINANCIAL PERFORMANCE

1. CUSTOMER ENQUIRIES

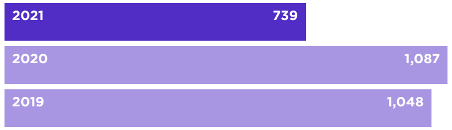
DEFINITION
Customer enquiries represent the number of enquiries we receive for our space. Enquiries come through our website, via phone, from walk-ins or existing customers looking to expand, contract or move locations.

WHY THIS IS IMPORTANT TO WORKSPACE
Measuring enquiries helps us to assess the strength of demand for our product. Our internal marketing platform generates enquiries both on and offline and we can increase digital marketing spend to target enquiries as required, for example around the launch of a new building.

MOVEMENT IN 2020/21
Customer enquiries were significantly impacted by lockdowns during the year, with monthly average enquiries down by 32%.
As the roadmap for the easing of Government restrictions was announced, and the vaccine rollout continued, enquiries recovered strongly through the fourth quarter.

CUSTOMER ENQUIRIES
Monthly average

739



TIME PERIOD MEASURED
Daily

2. VIEWINGS

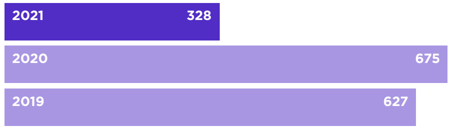
DEFINITION
This means the number of viewings of individual units by new or existing customers looking for new or additional space.

WHY THIS IS IMPORTANT TO WORKSPACE
Viewings are often the first opportunity a customer has to see the quality of our space. It's key to convert as many viewings as possible but even if it does not lead to the prospect taking space, the positive impression they will gain is likely to lead them to come back to us in the future.

MOVEMENT IN 2020/21
As with enquiries, viewings were impacted by the lockdowns and restrictions on public movement. As restrictions eased, viewings picked up and we saw increased conversion from enquiries to viewings and lettings.

VIEWINGS
Monthly average

328



TIME PERIOD MEASURED
Daily

3. OFFER LETTERS

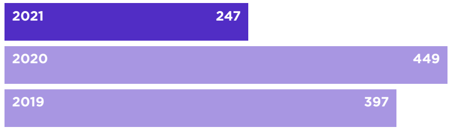
DEFINITION
Offer letters are sent to prospects once they have viewed one or multiple Workspace units and requested an offer containing pricing information and lease terms.

WHY THIS IS IMPORTANT TO WORKSPACE
Measuring the number of offer letters we send out allows us to assess the success of our customer viewings and demand for our space.

MOVEMENT IN 2020/21
The average number of offer letters per month decreased this year due to lockdowns and the fall in demand.

OFFER LETTERS
Monthly average

247



TIME PERIOD MEASURED
Daily

OUR KEY PERFORMANCE INDICATORS CONTINUED

NON-FINANCIAL PERFORMANCE CONTINUED

4. NEW LETTINGS

DEFINITION
This measures the number of lettings that Workspace signs every month.

WHY THIS IS IMPORTANT TO WORKSPACE
This is a key measure for the business as lettings drive our net rental income and, as a result, trading profit.

MOVEMENT IN 2020/21
Levels of lettings decreased by 20.7% year on year, a relatively robust performance given the significant restrictions on public movement in relation to the Covid-19 pandemic, as well as lockdowns limiting the volunteering opportunities.

LETTINGS
Monthly average

96

TIME PERIOD MEASURED
Weekly

5. RENEWALS

DEFINITION
This measures the number of lease renewals that we sign with existing customers every month.

WHY THIS IS IMPORTANT TO WORKSPACE
Renewals are important as they demonstrate how sticky our customers are and help us to capture reversion on our portfolio.

MOVEMENT IN 2020/21
The level of renewals was significantly lower in the year. This is because we proactively worked to retain customers, agreeing new leases prior to their renewal date as they reduced their space requirements due to the impact of Covid-19. If we include these retentions, the monthly average number is 63.

RENEWALS
Monthly average

13

TIME PERIOD MEASURED
Monthly

6. EMPLOYEE VOLUNTEERING DAYS

DEFINITION
The number of days spent by employees volunteering or fundraising for our selected charities.

WHY THIS IS IMPORTANT TO WORKSPACE
Giving back to our communities is important to Workspace, and we have a number of chosen charities that we support as part of our 'Doing the Right Thing' strategy. In particular, we believe we are well positioned to provide educational and careers support to disadvantaged young people as part of our InspiresMe programme, and many of our employees have got behind this work.

MOVEMENT IN 2020/21
The number of volunteering days is lower than last year due to many of our employees working remotely for much of the year as a result of the Covid-19 pandemic, as well as lockdowns limiting the volunteering opportunities.

EMPLOYEE VOLUNTEERING DAYS

10

TIME PERIOD MEASURED
Annually

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management is an integral part of all our activities. Our culture drives us to consider the risks and opportunities of any new business decision.

We focus on key risks which could impact on the achievement of our strategic goals and therefore on the performance of our business. Risks are considered at every level of the business including when approving corporate transactions, property acquisitions and disposals and whenever undertaking refurbishment and redevelopment projects.

We have created a positive culture within Workspace which encourages open communication and engagement. This enables staff from all areas of the business to feel free to raise risks or opportunities, no matter how small, to their managers and teams. This culture means that information is communicated across the business well. We make every effort to engage staff with risk-related issues, particularly those which are new and emerging so that we are managing our lower level risks as well as the more strategic ones.

The Group's Risk Management framework was updated in the year with the introduction of the Board Risk Committee which is now responsible for overseeing the risk management framework and advises the Board on risk appetite, tolerance and strategy. The Risk Committee is supported by the Executive Committee and the newly formed Risk Management Group, comprising senior managers from across the business. Further details of the framework can be found on page 166.

Response to Covid-19

The Covid-19 pandemic and the resulting macroeconomic uncertainty had a significant impact on Workspace and its customers throughout the year. The planned response included:

EMPLOYEES

The health and safety of our employees is a top priority. Following the Government's recommendations in March, our employees were asked to work from home and the relevant technology was quickly provided to allow them to do so.

As restrictions were relaxed, the office was made safe to allow for a gradual return to the office in line with government guidelines. New measures such as clear signage and the use of one-way systems were put in place to encourage social distancing. Hand sanitiser stations were made available at all sites and new cleaning methods introduced.

CUSTOMERS

Many of our customers suffered an immediate impact to their income and cash flow during the initial lockdown period. Workspace offered a 50% discount to all business centre customers to help them through this difficult time.

Whilst working remotely, our centre staff maintained regular contact with our customers to keep them abreast of actions being taken and to answer any queries.

As lockdown eased, our staff returned to the centres and were on hand to assist customers in returning to their offices. A back to business hub was added to our website to provide our customers with useful information and resources as they return.

REGULATION

Workspace has kept up-to-date with Government guidelines and sought advice from professionals where necessary.

PROPERTIES

The majority of our customers worked remotely for much of the year. However, our buildings remained open for those customers requiring access and increasing numbers did return to their offices during periods of reduced restrictions.

Steps were taken to provide a safe and hygienic environment for our customers to work in, including enhanced security and a changes to cleaning specifications, such as increasing daytime services.

FINANCIAL POSITION

During this period of uncertainty, the Group acted swiftly to implement cost saving measures and control capital expenditure to protect its strong financial position. Management regularly reviewed performance reports and forecasts to understand the impact on cash flows and control covenants.

The Group met all loan covenants throughout the year and issued a £300m green public bond in March 2021 which further strengthened its financial position. As at 31 March 2021, the Group had cash and undrawn credit facilities of £434m along with substantial headroom on its financial covenants and no material debt maturities until June 2023.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Climate change risk

Doing the Right Thing

See pages 34 to 56

Workspace recognises that climate change is having and will continue to have an increasing impact on our business. Our properties are at risk from physical climate-related issues including changes in temperature extremes leading to increase cooling and heating loads, changes in precipitation leading to flash flooding, and physical damage to buildings from extreme weather events, which in turn can lead to greater stresses on our properties.

During the year we launched our Net Zero Carbon Strategy with the goal of becoming a net zero carbon business by 2030. Details of how we plan to achieve this can be found on page 40.

It is now widely recognised that ESG issues present a financial risk to the global economy. In an effort to improve transparency, the Task Force on Climate-related Financial Disclosures (TCFD) framework provides guidance to companies on how to improve reporting on climate-related financial risks and opportunities. Workspace supports the TCFD recommendations and is committed to implementing them.

The TCFD framework includes risk management. A separate risk register for climate change related risks is managed by the Head of Sustainability. Details of the risks considered are provided on page 90.

Ongoing impact of Brexit

The UK has now entered into a trade agreement with the EU, removing the most significant risk of a no-deal Brexit. The Risk Committee and the Board have continued to consider the potential impacts that Brexit may have on the business throughout the year.

Workspace operates solely in London with no international activities. The main risks to the Group are the impact on the UK economy and Workspace customers.

Our key mitigation activities in relation to Brexit are:
- Modelling and stress testing our business plans and viability throughout the year
- Reviewing and monitoring loan covenants and borrowing levels
- Regular communication with customers and stakeholders to gather information on potential Brexit impacts
- Review of any key contracts which may be impacted by Brexit
- Consideration of the potential impact on employees, and communication with staff as and when applicable
- Liaising with our advisors on any potential changes to regulation which may arise

We continue, as always, to track our customer demand, pricing and vacations levels on a weekly basis. Our current level of borrowings and financial covenant headroom also helps to maintain a steady position following the transition period.

Changes to principal risks

New risks

Two risks have been elevated to principal risks in the year:

Customer payment default (risk 5)

The Covid-19 pandemic has had a significant impact on many companies, including our customers, leading to an increased risk of customers being unable to meet their rental obligations.

Third party relationships (risk 8)

To enable us to offer our customers the high level of service that is expected at our centres, we partner with carefully selected suppliers. Failure of these partners to deliver a high-quality service could impact on customer satisfaction and ultimately demand for our product. As we increase our focus on the services we offer to customers, this risk has been elevated to a principal risk.

Changing risks

Reputation

Reputation was previously considered as a principal risk, but is now recognised as being a consequence of many of our principal risks and as such, is now included as an Impact Criterium.

Business interruption

The Group's response to business interruption has been fully tested by the impact of Covid-19 over the past year. The risk still exists, but is considered within all other principal risks and is no longer disclosed as a stand alone risk.

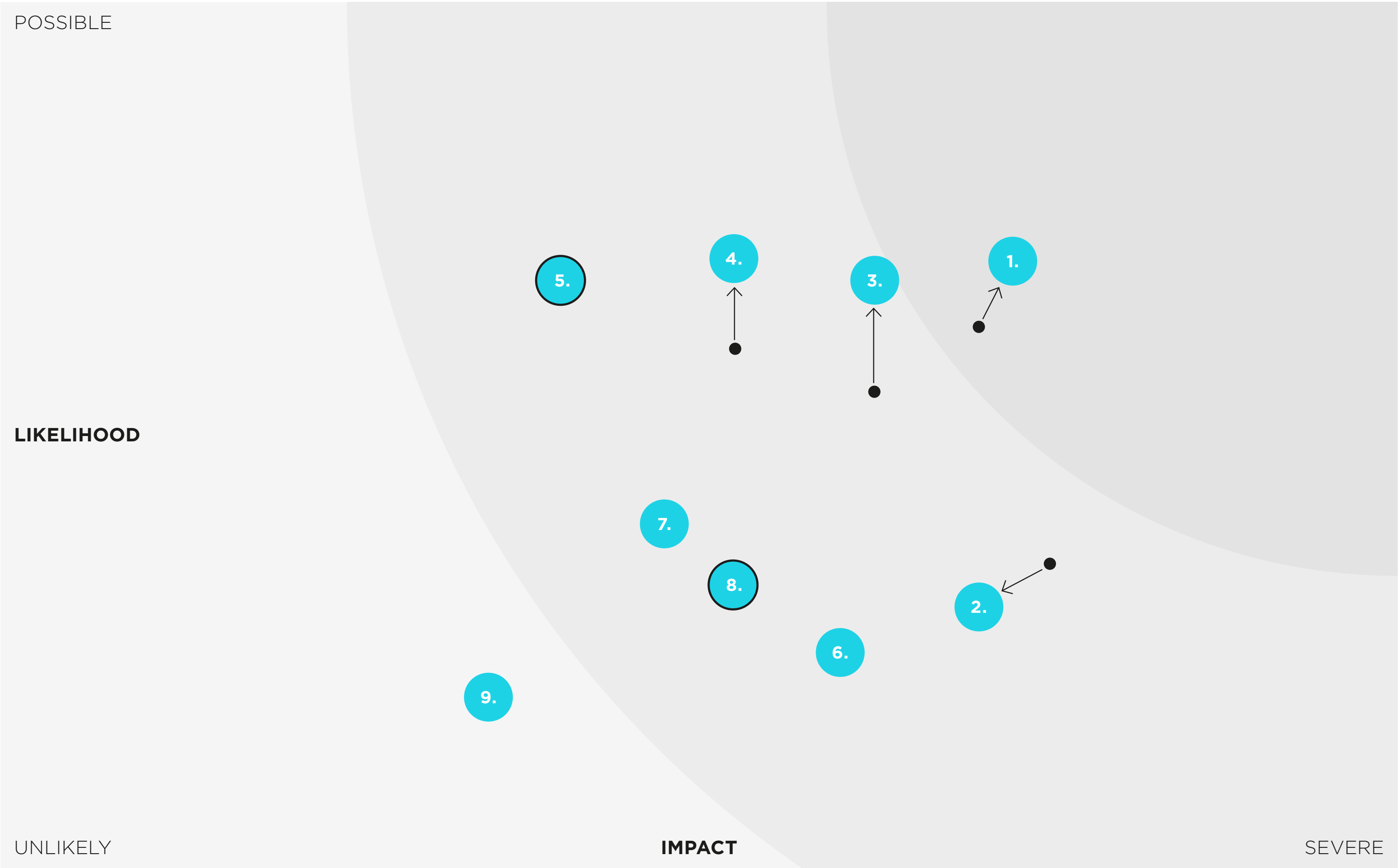
PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

CHANGES TO PRINCIPAL RISKS CONTINUED

PRINCIPAL RISKS

1. Customer demand	page 66
2. Financing	page 66
3. Valuation	page 67
4. Acquisition pricing	page 67
5. Customer payment default	page 68
6. Cyber security	page 68
7. Resourcing	page 69
8. Third party relationships	page 70
9. Regulatory	page 70

Key:
- New
- No change
- Increased from last year
- Decreased since last year



PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

1. Customer demand

PRINCIPAL RISK
The move to more flexible working, particularly working patterns, has accelerated in the past year as a result of Covid-19. Opportunities for growth could be missed without a clear branding strategy to meet these changing demands.

RISK IMPACT
- Fall in occupancy levels at our properties
- Reduction in rent roll
- Reduction in property valuation

MITIGATION
- Launched a new, more intuitive consumer website to grow direct web enquiries and drive organic search
- Broad mix of buildings across London with different office experiences at various price points to match customer requirements
- Pipeline of refurbishment and redevelopments to further enhance the portfolio
- Weekly meeting to track enquiries, viewings and lettings to closely track customer trends and amend pricing as demand changes
- Centre staff maintain ongoing relationships with our customers to understand their requirements and implement change to meet their needs
- Business plans are stress tested to assess the sensitivity of forecasts to reduced levels of demand and implement contingency measures.
- Initiated a brand campaign to raise awareness of our differentiated brand offer with digital and out of home advertising

IMPACT
Severe

PROBABILITY (POST-MITIGATION)
Possible

CHANGE FROM LAST YEAR
Increase due to impact of Covid-19 on economy ▲

RISK APPETITE
Medium

LINK TO STRATEGY
Customer-led growth
Operational excellence
Doing the Right Thing

LINK TO KPIS
Financial: 1, 2, 5, 6, 8
Non-financial: 1, 2, 3, 4, 5

2. Financing

PRINCIPAL RISK
There may be a reduction in the availability of long-term financing due to a continued economic recession, which may result in an inability to grow the business and impact Workspace's ability to deliver services to customers.

RISK IMPACT
- Inability to fund business plans and invest in new opportunities
- Increased interest costs
- Negative reputational impact amongst lenders and in the investment community

MITIGATION
We regularly review funding requirements for business plans and we have a wide range of options to fund our forthcoming plans. We also prepare a five-year business plan which is reviewed and updated annually. Further detail is provided in the Viability Statement on page 81.

We have a broad range of funding relationships in place and regularly review our refinancing strategy. We also maintain a specific interest rate profile via use of fixed rates and swaps on our loan facilities so that our interest payment profile is stable.

Loan covenants are monitored and reported to the Board on a monthly basis and we undertake detailed cash flow monitoring and forecasting.

During the year we extended our Revolving Credit Facility for a further year and launched a successful £300m green bond, providing the Group with adequate funds for future plans.

IMPACT
Severe

PROBABILITY (POST-MITIGATION)
Unlikely

CHANGE FROM LAST YEAR
Decrease following issue of green bond ▼

RISK APPETITE
Low

LINK TO STRATEGY
Operational excellence
Doing the Right Thing

LINK TO KPIS
Financial: 2, 4, 9

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

3. Valuation

PRINCIPAL RISK
The macroeconomic uncertainty could have an impact on asset valuations, leading to a devaluation derecognition that misaligns with Workspace investment. This may result in a reduction in return on investment and negative impact on covenant testing.

RISK IMPACT
- Financing covenants linked to loan to value ('LTV') ratio
- Impact on share price

MITIGATION
Market-related valuation risk is largely dependent on independent, external factors. We maintain a conservative LTV ratio which can withstand a severe decline in property values without covenant breaches.

We monitor changes in sentiment in the London real estate market, yields and pricing to track possible changes in valuation. CBRE, a leading full-service real estate services and investment organisation, provides twice yearly valuations of all our properties.

Alternative use opportunities, including mixed-use developments, are actively pursued across the portfolio.

IMPACT
High

PROBABILITY (POST-MITIGATION)
Possible

CHANGE FROM LAST YEAR
Increase due to impact of Covid-19 on the economy

RISK APPETITE
Medium

LINK TO STRATEGY
Customer-led growth
Operational excellence
Doing the Right Thing

LINK TO KPIS
Financial: 3, 5, 7, 8, 9

4. Acquisition pricing

PRINCIPAL RISK
Inadequate appraisal and due diligence of a new acquisition could lead to paying above market price leading to a negative impact on valuation and rental income targets.

RISK IMPACT
- Negative impact on valuation
- Impact on overall shareholder return

MITIGATION
We have an acquisition strategy determining key criteria such as location, size and potential for growth. These criteria are based on the many years of knowledge and understanding of our market and customer demand.

A detailed appraisal is prepared for each acquisition and is presented to the Investment Committee for challenge and discussion prior to authorisation by the Board. The acquisition is then subject to thorough due diligence prior to completion.

Workspace will only make acquisitions that are expected to yield a minimum return and will not knowingly overpay for an asset.

IMPACT
High

PROBABILITY (POST-MITIGATION)
Possible

CHANGE FROM LAST YEAR
No change

RISK APPETITE
Medium

LINK TO STRATEGY
Customer-led growth
Operational excellence

LINK TO KPIS
Financial: 7, 8, 9

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

5. Customer payment default

PRINCIPAL RISK
Covid-19 and its impact on the economy has resulted in an increase in customers defaulting on their rental payments. A continued economic downturn could result in further pressure on rent collection figures with a prolonged period of companies failing leading to a decline in occupancy and increase in office vacancies.

RISK IMPACT
- Negative cash flow and increasing interest costs
- Breach of financial covenants

MITIGATION
Rent collections have been impacted during the year as a result of the moratorium put in place by the Government which limits the use of some debt recovery methods.

The impact has been mitigated by strong credit control processes in place and an experienced team of credit controllers, able to make quick decisions and negotiate with customers for payment. In addition, we hold a three month deposit for the majority of customers.

Centre staff maintain relationships with customers and can identify early signs of potential issues.

IMPACT
High

PROBABILITY (POST-MITIGATION)
Possible

CHANGE FROM LAST YEAR
New risk

RISK APPETITE
Low

LINK TO STRATEGY
Operational excellence

LINK TO KPIS
Financial: 1, 2, 4, 8, 9

6. Cyber security

PRINCIPAL RISK
A cyber attack could lead to a loss of access to Workspace systems or a network disruption for a prolonged period of time, this could damage Workspace reputation and inhibit our ability to run the business.

MITIGATION
Cyber security risk is managed using a mitigation framework comprising network security, IT security policies and third party risk assessments. Controls are regularly reviewed and updated and include technology such as next generation firewalls, multi layered access control through to people solutions such as user awareness training and mock-phishing emails.

Assurance of the frameworks performance is gained through an independent maturity assessment, penetration testing and network vulnerability testing, all performed annually.

IMPACT
High

PROBABILITY (POST-MITIGATION)
Unlikely

CHANGE FROM LAST YEAR
No change

RISK APPETITE
Low

LINK TO STRATEGY
Operational excellence

LINK TO KPIS
Financial: 2, 4, 8, 9
Non-financial: 4, 5

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

7. Resourcing

PRINCIPAL RISK
Ineffective succession planning, recruitment and people management could lead to limited resourcing levels and a shortage of suitably skilled individuals to be able to achieve Workspace objectives and grow the business. A failure to have in place adequate resourcing may also result in stretch of existing management and a decline in efficiency.

RISK IMPACT
- Increased costs from high staff turnover
- Delay to growth plans
- Reputational damage

MITIGATION
We have a robust recruitment process to attract new joiners and established interview and evaluation processes with a view to ensuring a good fit with the required skill set and our valued corporate culture. Various incentive schemes align employee objectives with the strategic objectives of the Group to motivate employees to work in the best interests of the Group and its stakeholders. This is supported by a robust appraisal and review process for all employees.

Our HR and Support Services teams run a detailed training and development programme designed to ensure employees are supported and encouraged to progress with learning and study opportunities. The HR function was this year strengthened by the newly created appointment of a Head of People who will coordinate all activities to attract and retain talented employees.

IMPACT
High

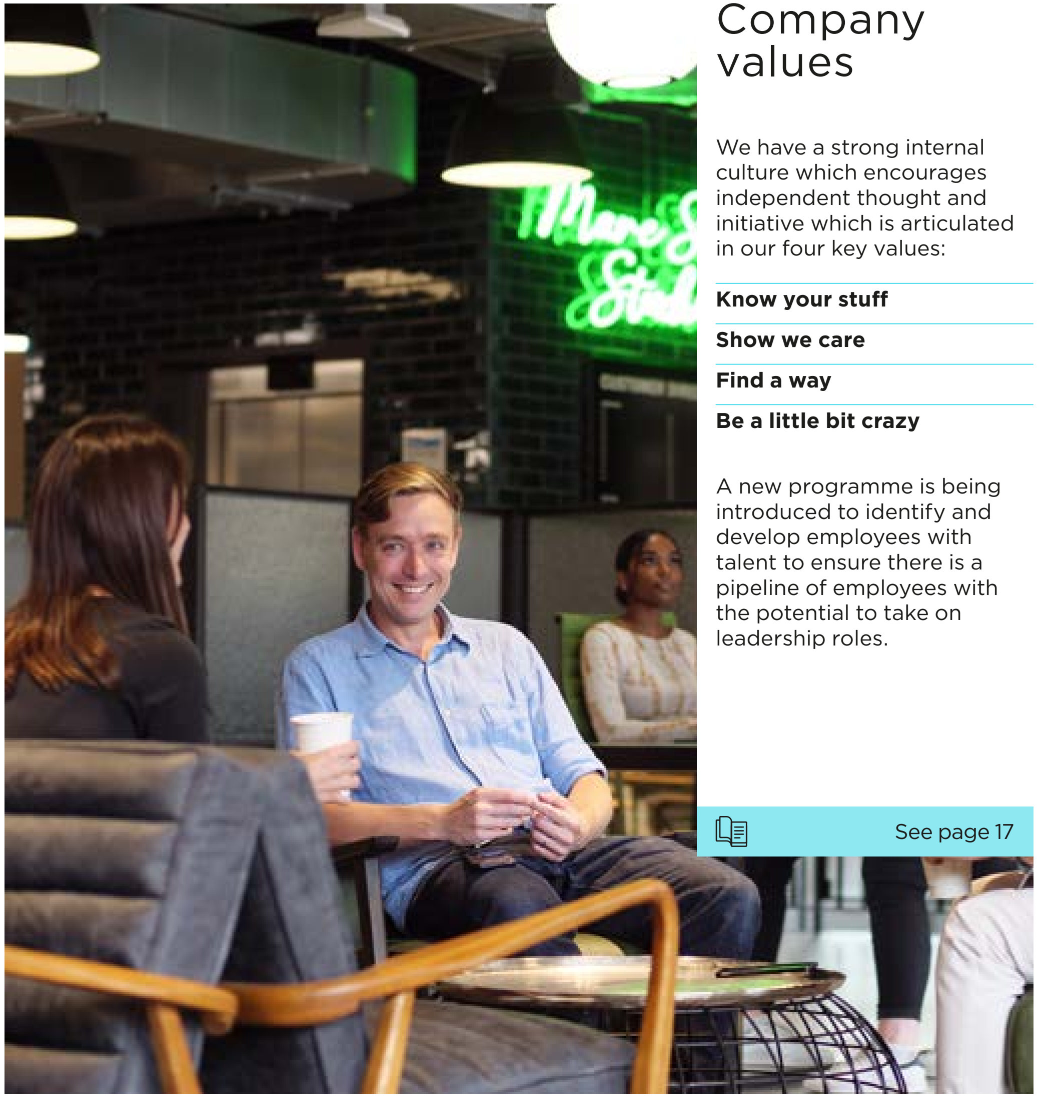
PROBABILITY (POST-MITIGATION)
Low

CHANGE FROM LAST YEAR
No change

RISK APPETITE
Medium

LINK TO STRATEGY
Operational excellence
Doing the Right Thing

LINK TO KPIS
Financial: 1, 2, 4, 5, 6, 8, 9
Non-financial: 1, 2, 3, 4, 5, 6



Company values

We have a strong internal culture which encourages independent thought and initiative which is articulated in our four key values:

Know your stuff

Show we care

Find a way

Be a little bit crazy

A new programme is being introduced to identify and develop employees with talent to ensure there is a pipeline of employees with the potential to take on leadership roles.

See page 17

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

8. Third party relationships

IMPACT
Poor performance from one of Workspace's key contractors or third party partners could result in an interruption to or reduction in quality of our service offering to customers or could lead to significant disruptions and delays in any refurbishment or redevelopment projects.

RISK IMPACT
- Decline in customer confidence
- Increase project or operational costs
- Fall in customer demand

MITIGATION
Workspace has in place a robust tender and selection process for key contractors and partners. Contracts contain service level agreements which are monitored regularly and actions taken in the case of underperformance.

For key services, Workspace maintains relationships with alternative providers so that other solutions would be available if the main contractor or third party was unable to continue providing their services. Processes are in place for identifying key suppliers and understanding any specific risks that require further mitigation.

During the year, a decision was taken to become London Living Wage compliant for all contractors by April 2022.

IMPACT
High

PROBABILITY (POST-MITIGATION)
Low

CHANGE FROM LAST YEAR
New risk

RISK APPETITE
Low

LINK TO STRATEGY
Customer-led growth
Operational excellence
Doing the Right Thing

LINK TO KPIS
Financial: 1, 2, 4, 5, 6, 8, 9
Non-financial: 5

9. Regulatory

PRINCIPAL RISK
A failure to keep up to date and plan for changing regulations in key areas such as health and safety or sustainability could lead to fines or reputational damage

RISK IMPACT
- Increased costs
- Reputational damage

MITIGATION
Health and safety is one of our primary concerns, with strong leadership promoting a culture of awareness throughout the business. We have well-developed policies and procedures in place to help ensure that any workers, employees or visitors on site comply with strict safety guidelines and we work with well-respected suppliers who share our high quality standards in health and safety.

Health and safety management systems are reviewed and updated in line with changing regulation and regular audits are undertaken to identify any potential improvements.

Sustainability requirements have an increasing importance for the Group and it is a responsibility we take seriously. We have committed to a Carbon Zero target of 2030 and we are implementing the TCFD recommendations. Refer to pages 86 to 96 for further details of our approach to climate change risk management.

IMPACT
Medium

PROBABILITY (POST-MITIGATION)
Low

CHANGE FROM LAST YEAR
No change

RISK APPETITE
Low

LINK TO STRATEGY
Operational excellence
Doing the Right Thing

LINK TO KPIS
Financial: 2, 4, 9
Non-financial: 4, 5

BUSINESS REVIEW

AT A GLANCE

£103.9m
Total rent roll

£38.7m
Trading profit after interest

£2.3bn
Property valuation

PROPERTIES FEATURED IN THE BUSINESS REVIEW:

Lock Studios, Bow
Completed mixed-use redevelopment

Pall Mall Deposit, Ladbroke Grove
Refurbishment underway

Mirror Works, Stratford
Mixed-use redevelopment underway

Lock Studios, Bow

BUSINESS REVIEW CONTINUED

CUSTOMER ACTIVITY

Covid-19 restrictions had a significant impact on new customer activity during the year with enquiries averaging 739 per month (2020: 1,087), viewings averaging 328 per month (2020: 675) and lettings averaging 96 per month (2020: 121).

On a more positive note, new customer demand picked up strongly through the fourth quarter, despite the third lockdown, reaching 1,172 enquiries and 150 lettings in March 2021.

Momentum has continued into the first quarter of the new financial year with 939 enquiries and 612 viewings in April 2021.

As Government restrictions have eased, customer utilisation of our business centres has also improved, reaching 20% of pre-Covid levels by the end of March and 33% by the end of May.

	Monthly Activity			Monthly Average				
	31 Mar 2021	28 Feb 2021	31 Jan 2021	Q4 20/21	Q3 20/21	Q2 20/21	Q1 20/21	FY 19/20
Enquiries	1,172	839	720	910	672	869	506	1,087
Viewings	535	404	300	413	322	435	142	675
Lettings	150	113	71	111	109	119	43	121

RENT ROLL

Total rent roll, representing the total annualised net rental income at a given date, was down 21.7% to £103.9m at March 2021, with overall occupancy reducing from 87.0% to 77.8%.

Total Rent Roll	£m
At 31 March 2020	132.8
New customers	7.2
Retained (renewals, expansions, contractions)	(8.4)
Leavers	(26.6)
Other	(1.1)
At 31 March 2021	103.9

Over the past year, we have worked closely with our customers to retain as many as possible, including resizing or relocating them where appropriate. Unfortunately for some customers this was not possible, and they chose to vacate. We also worked hard to capture new demand with around 600 new customers joining us during the year, adding £7.2m to the rent roll. Rent roll movement by property category is summarised below.

Total Rent Roll	£m
At 31 March 2020	132.8
Like-for-like portfolio	(26.7)
Completed projects	0.4
Projects underway and design stage	(2.2)
Disposals/other	(0.4)
At 31 March 2021	103.9

The total estimated rental value (ERV) of the portfolio, comprising the ERV of the like-for-like portfolio, and those properties currently undergoing refurbishment or redevelopment (but only including properties at the design stage at their current rent roll and occupancy) is £151.7m.

Like-for-like Portfolio

The like-for-like portfolio represents 82% of the total rent roll as at 31 March 2021. It comprises 38 properties with stabilised occupancy, excluding buildings impacted by significant refurbishment or redevelopment activity or contracted for sale. Like-for-like trends reported for previous financial years are not restated for the property transfers made in the current financial year.

The net result of customers joining, resizing and leaving during the year has been a 11.7% reduction in like-for-like occupancy to 81.6%. We have, however, seen a slowing decline in occupancy in recent months with occupancy stabilising by the end of the fourth quarter of the year.

BUSINESS REVIEW CONTINUED

Like-for-like	Quarter Ended 31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020
Occupancy	81.6%	82.1%	85.5%	90.1%
Occupancy Change*	(0.5)%	(3.4)%	(4.6)%	(3.2)%
Rent per sq. ft.	£36.57	£38.46	£40.61	£41.16
Rent per sq. ft. change	(4.9%)	(5.3)%	(1.3)%	(2.0)%
Rent Roll	£85.1m	£89.8m	£98.8m	£105.8m
Rent Roll change	(5.2)%	(9.1)%	(6.6)%	(5.3)%

* Absolute change

We continued to price our offer competitively to capture demand including, on a case by case basis, offering short-term lease incentives where customers are planning a delayed return to their office. We saw a 12.9% decrease in rent per sq. ft. to £36.57 over the year. Around half the fall of 4.9% in the final quarter results from short term lease incentives which will unwind in the current financial year.

The combined impact of the reduction in like-for-like occupancy and rent per sq. ft. in the year was a 23.9% fall in like-for-like rent roll, to £85.1m.

If all the like-for-like properties were at 90% occupancy at the CBRE estimated rental values at 31 March 2021, the rent roll would be £107.9m, £22.8m higher than the actual cash rent roll at 31 March 2021.

Completed Projects

There are now a total of seven projects in the completed projects category. Rent roll has remained broadly flat, decreasing by just £0.1m in the year to £5.6m, with overall occupancy at 62.6%.

This category includes Mare Street, Hackney, and Lock Studios, Bow, which both opened in June 2020 providing a combined 94,000 sq. ft. of new space as well as Wenlock Studios, Old Street, which completed in December

2020 providing 11,000 sq. ft. of upgraded space and Parkhall Business Centre, Dulwich, which completed in February 2021 providing 78,000 sq. ft. of upgraded space.

Excluding the most recently completed projects at Parkhall Studios and Wenlock Studios, rent roll across the other completed projects increased by £0.4m in the year with Lock Studios letting up particularly well (over 50% let as at 31 March 2021).

If the buildings in this category were all at 90% occupancy at the CBRE estimated rental values at 31 March 2021, the rent roll would be £10.6m, an uplift of £5.0m.

Projects Underway – Refurbishments

We are currently underway on four refurbishment projects that will deliver 214,000 sq. ft. of new and upgraded space. As at 31 March 2021, rent roll was £3.2m, down £2.1m in the year. We expect the refurbishment of Pall Mall Deposit to complete during the current year delivering 59,000 sq. ft. of new and upgraded space.

Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2021, the rent roll at these four buildings once they are completed would be £7.6m, an uplift of £4.4m.

BUSINESS REVIEW CONTINUED

Projects Underway – Redevelopments

There are currently two mixed-use redevelopment projects underway providing 58,000 sq. ft. of net lettable space, with the first delivering 17,000 sq. ft. of additional space at The Light Bulb, Wandsworth, completing in the first half of the current financial year, followed by a new 41,000 sq. ft. business centre in Stratford, to be named Mirror Works (formerly Marshgate) opening in the second half of the year.

Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2021, the rent roll at the two new business centres would be £1.3m.

Projects at Design Stage

These are properties where we are planning a refurbishment or redevelopment that has not yet commenced. In a number of cases this is because we are awaiting planning consent. The rent roll at these properties at 31 March 2021 was £10.1m, unchanged in the year.

PROFIT PERFORMANCE

Trading profit after interest for the year is down 52% (£42.5m) on the prior year to £38.7m.

£m	31 Mar 2021	31 Mar 2020
Net rental income	81.5	122.0
Administrative expenses	(19.0)	(17.7)
Net finance costs	(23.8)	(23.3)
Trading profit after interest	38.7	81.0

Net rental income was down 33.2% (£40.5m) in total to £81.5m, as detailed below:

£m	31 Mar 2021	31 Mar 2020
Underlying net rental income	105.5	120.3
Rent discounts and waivers	(19.9)	–
Expected credit losses	(4.2)	(0.4)
Disposals	0.1	2.1
Net rental income	81.5	122.0

Net rental income was significantly reduced by rent discounts and waivers given to customers, predominantly in respect of the first quarter when we offered a 50% discount to all our business centre customers.

Although we hold rent deposits for the majority of our customers, the extension of Government restrictions on rent collection has impeded efforts to collect rent from a number of our customers, resulting in a significant charge for expected credit losses of £4.2m, an increase of £3.8m on the prior year.

There was a £14.8m (12.3%) decrease in underlying net rental income to £105.5m, as detailed below:

£m	31 Mar 2021	31 Mar 2020
Rental income	115.4	128.4
Unrecovered service charges	(2.1)	(3.3)
Empty rates and other non-recoverable costs	(7.1)	(6.3)
Services, fees, commissions and sundry income	(0.7)	1.5
Underlying net rental income	105.5	120.3

The reduction in rental income of £13.0m has been driven by the fall in rent roll as noted above. Our focus on cost control and reduced numbers of customers in our centres during the lockdown periods have enabled us to reduce unrecovered service charges by £1.2m. Lower average occupancy over the year has, however, resulted in an increase in empty rates and non-recoverable costs of £0.8m. Services, fees, commissions and sundry income have reduced by £2.2m due to both the fall in occupancy and the lower utilisation of our buildings, leading to a reduced ability to generate ancillary income.

Administrative expenses increased by 7.3% (£1.3m) to £19.0m reflecting a full year of our increased investment in our sales and marketing capability. The prior year benefited from a short-term saving in executive costs following the stepping down of the previous CEO in May 2019. Discretionary costs and headcount remain under tight control.

Net finance costs increased by 2.1% (£0.5m) in the year, with a slight increase in the average interest rate from 3.7% to 3.8%, reflecting a reduction in interest capitalisation due to a lower level of refurbishment activity during the year.

Loss before tax was £235.7m compared to a profit before tax of £72.5m in the prior year.

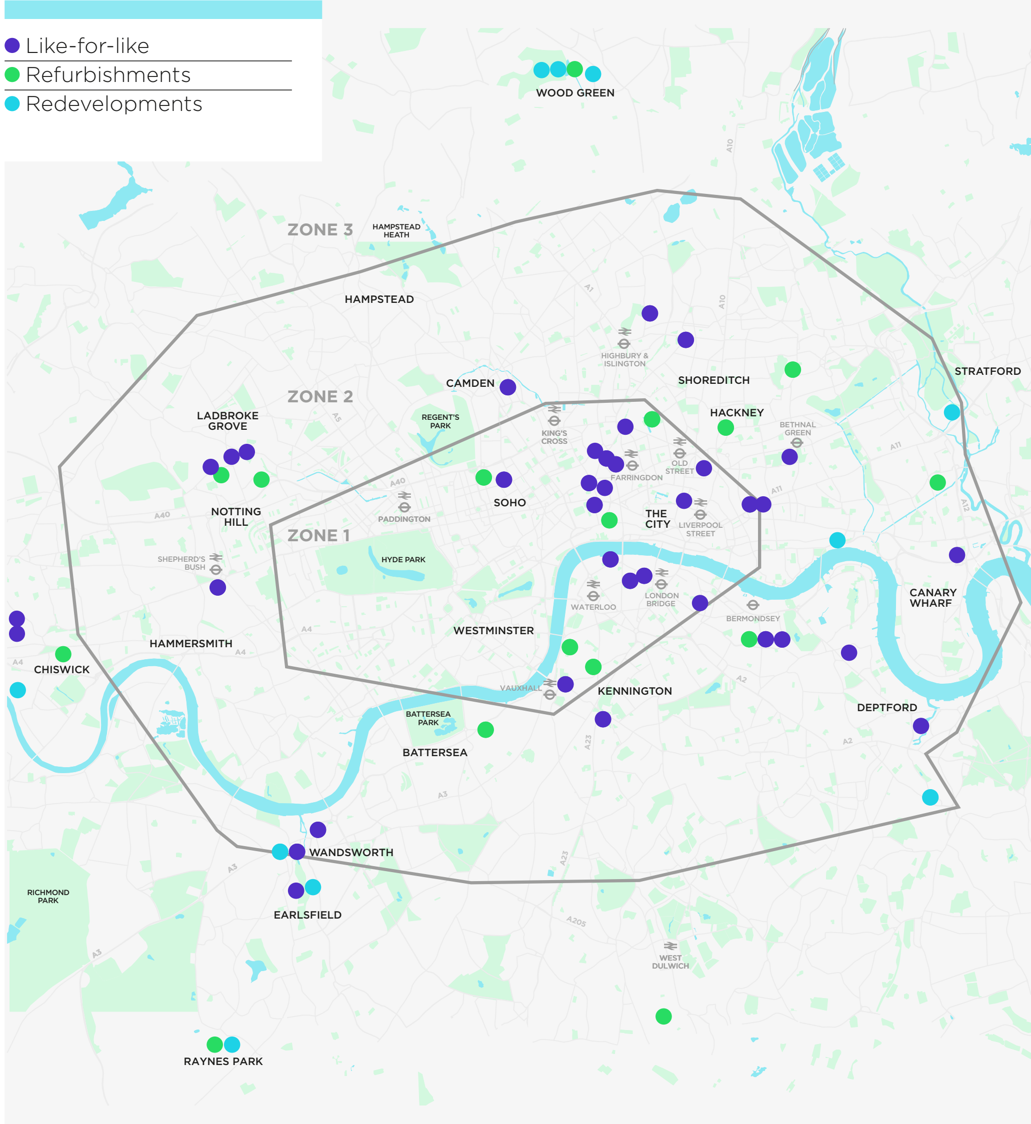
£m	31 Mar 2021	31 Mar 2020
Trading profit after interest	38.7	81.0
Change in fair value of investment properties	(257.7)	(7.5)
Loss on sale of investment properties	(0.1)	(0.8)
Exceptional finance costs	(16.4)	–
Other items	(0.2)	(0.2)
(Loss)/profit before tax	(235.7)	72.5
Adjusted underlying earnings per share	21.3p	44.6p

The deficit in the property revaluation increased from £7.5m in the prior year to a deficit of £257.7m in the current year.

Exceptional finance costs relate to the refinancing of \$100m and £84m of private placement notes due 2030 which were repaid early in April 2021 after notice was given in March 2021. The costs included a £16.3m premium on redemption and £0.1m of unamortised finance costs.

Adjusted underlying earnings per share, based on EPRA earnings adjusted for non-trading items and calculated on a diluted share basis, is down 52% to 21.3p.

BUSINESS REVIEW CONTINUED



DIVIDEND

Our dividend policy is based on trading profit after interest, taking into account our investment and acquisition plans and the distribution requirements that we have as a REIT, with our aim being to ensure the dividend per share is covered at least 1.2 times by adjusted underlying earnings per share.

At the half year we decided to defer a decision on the payment of the dividend as the UK was entering another month of lockdown at that time and there was heightened uncertainty. However, in line with our policy, the Board is now recommending a final dividend of 17.75p per share (2020: 24.49p) to be paid on 6 August 2021 to shareholders on the register at 2 July 2021. The dividend will be paid as a Property Income Distribution and fully meets the REIT distribution requirement for the year to 31 March 2021, with a dividend cover at 1.2 times adjusted underlying earnings per share.

PROPERTY VALUATION

At 31 March 2021, our property portfolio was independently valued by CBRE at £2,324m, an underlying decrease of 10.0% (£258m) in the year. The main movements in the valuation over the year are set out below:

	£m
Valuation at 31 March 2020	2,574
Revaluation deficit	(258)
Capital expenditure	24
Capital receipts	(5)
Disposals	(11)
Valuation at 31 March 2021	2,324

A summary of the full year valuation and revaluation movement by property type is set out below:

£m	Valuation	Uplift/ deficit
Like-for-like Properties	1,790	(205)
Completed Projects	181	(8)
Refurbishments	256	(41)
Redevelopments	97	(4)
Total	2,324	(258)

Like-for-like Properties

There was a 10.3% (£205m) underlying decrease in the valuation of like-for-like properties to £1,790m. This is driven by a 9.8% decrease in ERV per sq. ft. reflecting price reductions we have seen on lettings and renewals completed during the year. The equivalent yield of the like-for-like portfolio is unchanged at 5.8%.

	31 Mar 2021	31 Mar 2020	Change
ERV per sq. ft.	£42.07	£46.65	-9.8%
Rent per sq. ft.	£36.57	£41.98	-12.9%
Equivalent Yield	5.8%	5.8%	–
Net Initial Yield	4.2%	5.1%	-0.9%
Capital Value per sq. ft.	£628	£696	-9.8%

BUSINESS REVIEW CONTINUED

Completed Projects

There was an underlying decrease of 4.2% (£8m) in the value of the seven completed projects to £181m. The overall valuation metrics for completed projects are set out below:

	31 Mar 2021
ERV per sq. ft.	£30.55
Rent per sq. ft.	£23.15
Equivalent Yield	5.7%
Net Initial Yield	2.8%
Capital Value per sq. ft.	£469

The major movements within this category were a decrease of £5.2m at Mare Street Studios, Hackney, which is in the early stages of letting up after being launched in June 2020 and a decrease of £4.2m at 160 Fleet Street reflecting a reduction in pricing expectations based on recent lettings.

Current Refurbishments and Redevelopments

There was an underlying reduction of 13.8% (£41m) in the value of our current refurbishments to £256m and a reduction of 4.0% (£4m) in the value of our current redevelopments to £97m.

The most significant movements in this category are a decrease of £8.8m at Fitzroy Street, Fitzrovia, where the sole occupier, as expected, has exercised their break ahead of our planned extensive refurbishment, a decrease of £7.9m at Westbourne Studios where, again as expected, a large customer has now vacated ahead of refurbishment and a reduction of £7.7m at Biscuit Factory (J Block), Bermondsey, reflecting lower occupancy and income expectations.

REFURBISHMENT ACTIVITY

A summary of the status of the refurbishment pipeline at 31 March 2021 is set out below:

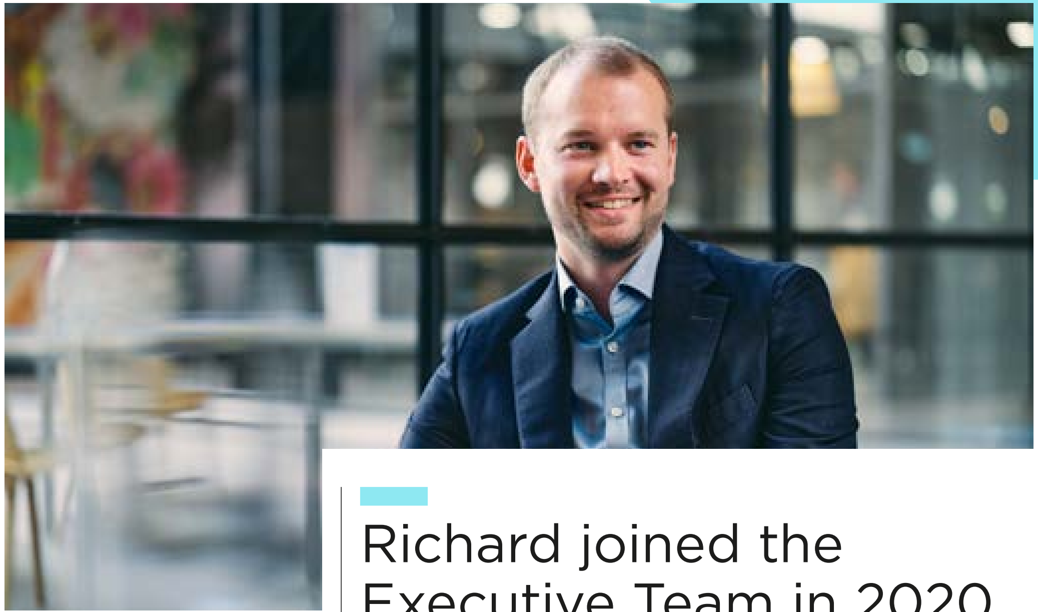
In May 2021, we received planning permission for the re-designation of land use for a major scheme at Kennington Park. The existing 91,000 sq. ft. of low-grade space situated to the south and east of the Kennington Park campus will be replaced with 200,000 sq. ft. of high specification office space.

	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	4	£18m	£14m	214,000
Design stage	5	–	£165m	510,000
Design stage (without planning)	2	–	£130m	320,000

BUSINESS REVIEW CONTINUED

Q&A with the Executive Team

RICHARD SWAYNE
INVESTMENT DIRECTOR



Richard joined the Executive Team in 2020 and is responsible for Workspace's acquisitions and disposals.

Q Workspace hasn't bought any new properties for some time. Have you been holding back on investment in acquisitions?

A The last two years have been characterised by market uncertainty, with Brexit and the General Election, followed by the onslaught of the Covid-19 pandemic.

We have remained open to acquisitions through that time but we do have strict returns criteria and the organic growth opportunity from our project pipeline keeps us disciplined when it comes to capex on acquisitions.

We are currently monitoring a very tight market, with limited stock and competitive buyers. With our 30+ year history in London, we have a long-held database of properties that would work for us and we are well positioned, with a strong balance sheet, to move quickly as opportunities arise.

> "We are well positioned, with a strong balance sheet, to move quickly as opportunities arise."

Q Where do you see the best value opportunities in the next year or so?

A We would look at the right properties in zones 1, 2 or 3. But at the moment, we are seeing particular value outside the core, central London markets as there is increased demand for flexible office space across London.

Following the pandemic, we are tracking certain opportunities where owner occupiers are reviewing their space requirements, as well as passive owners who are facing lease expiries with occupiers who have changed their mind about renewing.

BUSINESS REVIEW CONTINUED

REDEVELOPMENT ACTIVITY

Many of our properties are in areas where there is strong demand for mixed-use redevelopment. Our model is to use our expertise, knowledge and local relationships to obtain a mixed-use planning consent and then agree terms with a residential developer to undertake the redevelopment and construction at no cost and limited risk to Workspace. We receive back a combination of cash, new commercial space and overage, in return for the sale of the residential scheme to the developer.

A summary of the status of the redevelopment pipeline at 31 March 2021 is set out below.

In return for the sale of the residential schemes at Marshgate, Stratford, and Light Bulb (phase 2), Wandsworth, the two redevelopment schemes underway, we have received £24m in cash and two new commercial buildings, which will be delivered shortly. The new building at Marshgate, a 41,000 sq. ft. business centre, will be named Mirror Works.

In June 2020, we were granted planning consent for a significant mixed-use redevelopment project in Wandsworth. The 5.4 acre Riverside site currently comprises 145,000 sq. ft. of low quality office, leisure and light industrial space, with a rent roll of £2.0m. The planning consent is for a new 104,000 sq. ft. business centre and 65,000 sq. ft. of new light industrial space, as well as 402 residential apartments, including 35% affordable housing.

There are now five schemes at the design stage that have obtained mixed-use planning consents but are not yet contracted for sale.

	No. of properties	Residential units	Cash received	New commercial space (sq. ft.)
Underway	2	277	£24m	58,000
Design stage	5	1,210	–	289,000

ACQUISITIONS AND DISPOSALS

No acquisitions were made in the year, however, we continue to track opportunities across London and remain disciplined in our returns criteria.

In September 2020, we completed the sale of Bow Exchange, Bow, for £11.0m, in line with the 31 March 2020 valuation, at a capital value of £298 per sq. ft.

CASH FLOW

The Group generates strong operating cash flow in line with trading profit. A summary of cash flows in the half year are set out below.

There is a reconciliation of net debt in note 16(b) to the financial statements.

Rent collection for the year was robust, despite the Government restrictions on rent collection measures which have been in place. Overall, 95% of rent due (after discounts and deferrals given to customers largely in respect of the first quarter) has been collected, including 93% of rent due for the fourth quarter of 2020/21 collected to date.

We have to date collected 91% of rent due for the first quarter of 2021/22 which is ahead of the level of rents collected at the same point in the fourth quarter of 2020/21.

The majority of the amounts still outstanding, which include £1.1m of agreed rent deferrals, are covered by rent deposits or by the provision for doubtful debts.

£m	31 Mar 2021	31 Mar 2020
Net cash from operations after interest	39	85
Dividends paid	(46)	(61)
Capital expenditure	(26)	(62)
Property disposals and cash receipts	11	65
Capital receipts	–	12
Finance costs for new/amended borrowing facilities	(2)	–
Net movement	(24)	39
Opening debt (net of cash)	(541)	(580)
Closing debt (net of cash)	(565)	(541)

	H1	Q3	Q4	H2	FY20/21
Rent collected as proportion of rent receivable after discounts and deferrals	97%	98%	95%	93%	95%
Rent collected as proportion of gross rents	48%	86%	94%	92%	79%

BUSINESS REVIEW CONTINUED

24%

Loan to value as at 31 March 2021

FINANCING

As at 31 March 2021, the Group had £183.6m of cash and £250.0m of undrawn facilities:

	Drawn amount £m	Facility £m	Maturity
Private placement notes	448.5	448.5	2023-29
Green bond	300.0	300.0	2028
Bank facilities	–	250.0	2022-23
Total	748.5	998.5	

All facilities are provided on an unsecured basis with an average maturity of 4.8 years (31 March 2020: 4.5 years).

In February 2021 we extended the term of £167m of our revolver bank facilities by one year to June 2023.

In March 2021 we issued a sterling-denominated senior unsecured guaranteed green bond in an aggregate principal amount of £300m for a term of seven years, which bears interest at a rate of 2.25 per cent per annum. The green bond was issued in connection with the Company's new Green Finance Framework, in line with Workspace's ESG 'Doing the Right Thing' strategy and our recently published net zero carbon pathway.

At 31 March 2021, the average interest cost of our fixed rate private placement notes was 4.1%. Our revolver bank facilities are provided at a floating rate of 1.65% over LIBOR.

At 31 March 2021, loan to value (LTV) was 24% (31 March 2020: 21%) and interest cover, based on net rental income and interest paid (excluding exceptional refinancing costs), was 3.8 times (31 March 2020: 5.2), providing good headroom on all facility covenants.

In March 2021, we gave notice to prepay £148.5m of our fixed rate private placement notes due June 2023 on 30 April 2021. The refinancing reduces the average cost of debt to 3.1% and average debt maturity increases to 5.3 years on a proforma basis. Following the refinancing, 71% of our facilities are at fixed rates, representing 100% of our borrowings on a drawn basis, LTV remains unchanged at 24% and undrawn revolver facilities and cash reduces to £269m on a proforma basis.

NET ASSETS

Net assets decreased in the year by £279m to £1,720m. EPRA net tangible assets (NTA) per share at 31 March 2021 was down 13.8% (£1.50) to £9.38 and EPRA net reinstatement value (NRV) per share was down 13.9% (£1.66) to £10.26:

	EPRA NRV per share £	EPRA NTA per share £
At 31 March 2020	11.92	10.88
Adjusted trading profit after interest	0.21	0.21
Property valuation deficit	(1.42)	(1.42)
Purchasers costs	(0.16)	–
Dividends paid	(0.24)	(0.24)
Exceptional finance costs	(0.09)	(0.09)
Other	0.04	0.04
At 31 March 2021	10.26	9.38

The calculation of EPRA NTA and NRV per share measures are set out in note 9 of the financial statements.

BUSINESS REVIEW CONTINUED

OUTLOOK

The strong pick-up in new customer activity that we saw through the fourth quarter has continued into the new financial year. Assuming the lifting of Covid-19 restrictions continues as planned and there are no further lockdowns, we expect to see continued momentum on new lettings and the rate of customers leaving and downsizing returning to normal levels.

Looking at the financial outlook for FY 2021/22, the following should be taken into account:

- Our focus in the coming year will be on regaining occupancy and we will continue to price to the market until we see sustained improvement in occupancy levels
- Net rental income will lag the improvement in rent roll as occupancy recovers
- There will also be a drag on income from unrecovered service charges and other occupancy-related costs, such as empty rates
- Capex will increase as we continue to progress the project pipeline. This includes Arup's vacation of Fitzroy Street, Fitzrovia, in June 2021 ahead of the planned refurbishment
- We expect credit losses to reduce to more normal levels once the Government moratorium on rent collection is lifted
- The successful refinancing has resulted in a lower cost of debt

KEY PROPERTY STATISTICS

	Half Year ended			
	31 Mar 2021	30 Sep 2020	31 Mar 2020	30 Sep 2019
Workspace Group Portfolio				
CBRE property valuation	£2,324m	£2,450m	£2,574m	£2,682m
Number of locations	58	58	59	64
Lettable floorspace (million sq. ft.)	3.9	3.9	3.9	4.0
Number of lettable units	4,196	4,147	4,009	4,969
Rent roll of occupied units	£103.9m	£118.2m	£132.8m	£130.4m
Average rent per sq. ft.	£33.90	£37.15	£39.18	£38.06
Overall occupancy	77.8%	81.1%	87.0%	86.3%
Like-for-like number of properties	38	38	29	28
Like-for-like lettable floor space (million sq. ft.)	2.8	2.8	2.2	2.2
Like-for-like rent roll growth	(13.9)%	(11.6)%	1.2%	0.7%
Like-for-like rent per sq. ft. growth	(9.9)%	(3.3)%	0.3%	(1.0)%
Like-for-like occupancy movement	(3.9)%	(7.8)%	0.9%	1.7%

1. The like-for-like category has been restated in the current financial year for the following:
   - The transfer in of Goswell Road, Cannon Wharf, Ink Rooms, 60 Gray's Inn Road, The Light Box, Edinburgh House, The Frames, The Leather Market, China Works and Fuel Tank from the completed projects category
   - The transfer in of Canalot Studios from the refurbishment projects category The transfer in of Poplar Business Park from the redevelopment projects category
   - The transfer out of Westbourne Studios to the refurbishment projects category The transfer out of Mallard Place to the redevelopment projects category
2. Like-for-like statistics for prior years are not restated for the changes made to the like-for-like property portfolio in the current financial year.
3. Overall rent per sq. ft. and occupancy statistics include the lettable area at like-for-like properties and all refurbishment and redevelopment projects, including those projects recently completed and also properties where we are in the process of obtaining vacant possession.

The Strategic Report on pages 1 to 98 was approved by the Board of Directors on 2 June 2021 and signed on its behalf by:

Graham Clemett
Chief Executive Officer

Dave Benson
Chief Financial Officer

COMPLIANCE STATEMENTS

Going concern

The Group's activities, strategy and performance are explained in the Strategic Report on pages 2 to 98.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 210 to 235.

The Directors, have conducted an extensive review of the appropriateness of adopting the going concern basis in light of the Covid-19 pandemic. More details can be found on page 213. Following this review and having made appropriate enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources and sufficient headroom on the Group's bank loan facilities to continue in operational existence. For this reason, the Directors believe that it is appropriate to continue to adopt the Going Concern basis in preparing the Group's accounts.

Viability statement

Assessment of prospects

The Group assesses its prospects primarily through the annual Strategic Review process which involves a debate of the Group's strategy and business model, consideration of the Group's principal risks and a review of the Group's five-year plan. Particular attention is given to existing refurbishment and redevelopment commitments, long-term financing arrangements, compliance with financing and REIT covenants and existing macroeconomic factors.

The most recent strategy day was held in September 2020 and the Board reviewed the business plan for the five years to 31 March 2025.

In light of the extended impact of Covid-19 on the conditions the Group is operating in, consideration has also been given to a number of downside scenarios covering the period to 31 March 2026.

The scenarios modelled include a severe but realistically possible scenario based on the following key assumptions:

- A gradual recovery period of two years from summer 2021 to return to 90% occupancy
- New lettings continue to be below the average price per sq. ft. of vacating customers until like-for-like occupancy levels reach 90%
- Continued higher levels of counterparty risk, with bad debt significantly higher than pre-pandemic levels
- A further two months of Government restrictions on public movement in the winter of 2021 ('lockdown').

The Group's activities, strategy and performance are explained in the Strategic Report on pages 2 to 98, including a description of the Group's strategy and business model on pages 29 to 33 and 11 to 19.

Assessment of time period

The Board has selected a review period of five years for the following reasons:

a) The Group's strategic review covers a five-year period.
b) Our current project pipeline spans five years, covering the time for the currently planned major refurbishments and redevelopments to progress from initiation to completion.
c) The average period to maturity of the Group's committed facilities is 4.8 years.

Although financial performance is assessed over a period of five years, the strategy and business model are considered with the longer-term success of the Group in mind. The Directors believe they have no reason to expect a significant adverse change in the Group's viability immediately following the end of the five-year assessment period.

Assessment of viability

The Board has considered the key risks and mitigating factors that could impact the Group, details of which can be found on pages 63 to 70. Those risks that could have an impact on the ongoing success of the Group's strategy, particularly in light of Covid-19, were identified and the resilience of the Group to the impact of these risks in severe, yet plausible scenarios has been evaluated.

Sensitivity analyses have been prepared to understand the impact of the identified risks on solvency and liquidity. The specific risks which were evaluated are shown in the following table.

COMPLIANCE STATEMENTS CONTINUED

VIABILITY STATEMENT CONTINUED

Risk sensitivity analyses

SPECIFIC RISK	RISK CATEGORY	SENSITIVITY ANALYSIS
Demand for space falls dramatically impacting occupancy and pricing levels, or customer defaults increase leading to a breach of loan covenants.	– Customer demand. – Valuation.	Net rental income would need to reduce by 55% compared to the year to 31 March 2021. This represents an additional 54% reduction from the net rental income included in the severe scenario modelled.
Property values are adversely impacted by the uncertainty in the economy leading to a breach of covenants.	– Valuation.	At the point in the business plan that LTV is at its highest, the property valuation would need to fall by 50% compared to the valuation as at 31 March 2021.
Changes in the economic and regulatory UK environment impact the availability and pricing of debt.	– Financing.	The model assumes that the Group's RCF will reduce to £167m in June 2022. Under the scenario modelled, the Group would need to either refinance this remaining facility when it expires in June 2023 or put in place other mitigating strategies to make full repayment of this facility.

The Group benefits from a freehold property portfolio and a flexible business model that allows the business to adapt to changing requirements of its customer base. This, coupled with a strong balance sheet, means the Company can withstand a significant downturn in the economy and demand.

In the scenarios tested, the most significant impact on the viability of the Group would be to the level of available facilities resulting from an inability to refinance existing facilities. To mitigate this risk, the Group regularly reviews funding requirements and maintains a close relationship with existing and potential funding partners to facilitate the continuing availability of debt finance.

Also, the maturity of debt facilities is spread over a number of years to avoid a concentration of risk in one period and gearing is relatively low with LTV of 24% as at 31 March 2021.

There are a number of mitigating factors that were not considered in the scenarios tested but which could be actioned:
- Disposal of assets.
- Cancellation or significant reduction in dividend.
- Reduction in refurbishment programme.

Conclusion

The sensitivity and stress analyses outlined above indicate that the Group would have adequate means to maintain headroom in its facilities and covenants to continue operations for the period under review. On this basis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period stated above.

Section 172(1) statement

Our Section 172(1) Statement can be found on page 122.

COMPLIANCE STATEMENTS CONTINUED

Non-financial information statement

The table below, and the information it refers to, sets out our position on non-financial reporting requirements in accordance with Sections 414CA and 414CB of the Companies Act 2006 as well as other key compliance areas. The time periods for reporting on the matters set out below have been informed by applicable law and prevailing market practice, taking into account the Group's particular circumstances and the nature of its business. The description of our business model can be found on pages 11 to 19 and the description of our non-financial key performance indicators can be found on pages 61 to 62.

	POLICIES AND DUE DILIGENCE	OUTCOMES OF POLICIES AND IMPACTS OF ACTIVITIES	RELATED PRINCIPAL RISKS (PAGES 63 TO 70)
ENVIRONMENTAL MATTERS	– Our Doing the Right Thing strategy states our commitment to operating responsibly in all our dealings with our stakeholders. This is supported by an Environmental Policy and a Climate Change Policy which set out our objectives and commitment to a co-ordinated approach to improving the overall environmental performance of our portfolio. – Our net zero carbon pathway sets out our roadmap towards reaching net zero carbon by 2030. – We disclose our climate-related risks and opportunities management processes in line with the TCFD recommendations.	– See pages 19, 24, 28, 32, 37 to 44 and 86 to 98 for details of our commitment to environmental matters, including our net zero carbon pathway, the launch of our green bond and our Green Finance Framework, and our TCFD framework.	While environmental matters are not deemed a principal risk for the Group, see pages 64 and 90 to 95 for details of how we manage climate change risk in our business.
SOCIAL MATTERS	– Our Doing the Right Thing strategy sets out our approach to supporting our employees, customers and suppliers. – We have updated our social impact programme to further demonstrate our commitment to supporting communities in need across London. – We pay our direct employees London Living Wage and have committed to bring all third-party contractors onto the Living Wage by April 2022.	– See pages 23, 32 and 50 to 56 for details on how we are focusing on social matters, including our real Living Wage commitment, our social impact project review and the community and charity projects we have supported during the year.	Social matters are not deemed to be a principal risk for the Group; however we are continuing to focus on social matters through our Doing the Right Thing strategy (see pages 51 to 56 for more details).
EMPLOYEES	– We have a Code of Conduct which sets out the Group's commitment to maintaining the highest standard of ethical conduct and behaviour in our business practice. The Code is reviewed annually. Employees receive induction training and regular reminders on the Code of Conduct. – We are committed to diversity and inclusion at all levels of our business. See pages 47, 145, 183 and 200 for more details on our Equal Opportunities Policy. – The Group has a Health & Safety Committee which meets twice per year. The Board receives regular reports and reviews our health & safety processes at least annually, and the Executive Committee receive reports monthly. See pages 200 to 201 for more details on our health and safety policies and procedures.	– See pages 16, 22 and 45 to 49 for details of how we looked after our employees during the year, including how we listened to them during the year, how we made our offices Covid-secure, our health and wellbeing initiatives, our diversity and inclusion initiatives and our training and development initiatives.	Risk 7 – Resourcing

COMPLIANCE STATEMENTS CONTINUED

NON-FINANCIAL INFORMATION STATEMENT CONTINUED

	POLICIES AND DUE DILIGENCE	OUTCOMES OF POLICIES AND IMPACTS OF ACTIVITIES	RELATED PRINCIPAL RISKS (PAGES 63 TO 70)
HUMAN RIGHTS AND MODERN SLAVERY	– We respect and support internationally proclaimed human rights. Our Code of Conduct, which is reviewed annually and communicated to our employees, reflects this commitment. – We are committed to upholding all human rights, including the prevention of modern slavery and human trafficking in our business and in our supply chains. We consider the risk of modern slavery and human trafficking to be very low in our business, but we regularly monitor and review our risk profile and emerging regulatory guidance and will take any actions we consider necessary to improve and strengthen our practices. – We publish our modern slavery statement on our website annually, which summarises our policies and the actions we have taken in our business and our supply chains and can be found at www.workspace.co.uk/global-content-repository/files/modern-slavery-act-statement.	– We take a zero-tolerance approach to modern slavery and other breaches of fundamental human rights. – No incidences of human rights abuse or modern slavery have been identified (2020: Nil).	Risk 7 – Resourcing Risk 9 – Regulatory
ANTI-BRIBERY AND CORRUPTION	– We have an Anti-Bribery & Corruption Policy, which is reviewed by the Board annually. The Anti-Bribery & Corruption Policy sets out the responsibilities and expectations of our employees for the prevention, detection and reporting of bribery and other forms of corruption. The Policy also contains our Gifts & Hospitality Policy, which provides that the giving and receiving of gifts and hospitality must be reasonable and proportionate in the normal course of business, both in type and value. We require all staff to obtain line manager approval and keep a record of any hospitality and gifts valued at over £20 (whether they are accepted or refused). – All staff receive training on the Anti-Bribery & Corruption Policy, including the Gifts & Hospitality Policy, as part of their induction and regular reminders are sent to all staff. – We make suppliers aware of our zero-tolerance approach to bribery and undertake due diligence on suppliers to confirm that they are themselves committed to the prevention of bribery and corruption. – Our Code of Conduct further reinforces these messages.	– It is our policy to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to implementing and enforcing effective systems to counter bribery. – No incidences of bribery or corruption have been identified (2020: Nil).	Risk 9 – Regulatory
POLITICAL AND CHARITABLE DONATIONS	– Our policy is not to make any political donations. We only make charitable donations that are legal and ethical, and made with the prior approval of the Company Secretary.	– The Group did not make any political donations during the year (2020: Nil).	Risk 9 – Regulatory

COMPLIANCE STATEMENTS CONTINUED

NON-FINANCIAL INFORMATION STATEMENT CONTINUED

	POLICIES AND DUE DILIGENCE	OUTCOMES OF POLICIES AND IMPACTS OF ACTIVITIES	RELATED PRINCIPAL RISKS (PAGES 63 TO 70)
DATA PRIVACY	– The Group continues to take its obligations under the retained EU law version of the General Data Protection Regulation (UK GDPR), the Data Protection Act 2018 and other applicable data privacy legislation very seriously. We continue to monitor guidance and practice in this area and to embed data privacy into the heart of the business. – We have a Data Protection Policy, as well as ancillary policies in specific areas (including security, data breaches, subject rights, appointment of data processors and data privacy impact assessments). We continue to monitor compliance with our policies and procedures and to review and update them where appropriate to reflect developing guidance and practice. – Staff are regularly reminded of the importance of data privacy. Mandatory data protection training is provided to all staff at induction and on an annual basis, and we also provide more tailored, role-specific training to staff where appropriate. Regular reports are provided to the Executive Committee and the Board.	– The Board continues to place high value on data privacy, and privacy is embedded throughout the organisation. – Staff are aware of their duties in relation to data privacy. – Data privacy is a key consideration whenever new projects are contemplated or changes to existing arrangements are proposed.	Risk 9 – Regulatory
CONFLICTS OF INTEREST	– Through our HR processes and the Code of Conduct, employees are required to notify the Company of any conflict of interest. – Similarly, the Board is also reminded of this requirement, and any conflict of interest will be recorded. – We have procedures in place for managing conflicts of interest and keep a register of conflicts of interest.	– Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board in writing or verbally at the next Board meeting. – During the year, no Director had any beneficial interest in any contract significant to the Group's business, other than a contract of employment (2020: Nil).	Risk 9 – Regulatory
WHISTLEBLOWING	– Our Whistleblowing Policy provides employees with information on how they can report, anonymously if they wish, any concerns about impropriety or wrongdoing within the business. – An independent telephone line is available for anonymous reporting of concerns. – The Whistleblowing Policy is reviewed annually and the Board receives updates from the Company Secretary on the operation of the whistleblowing system.	– During the year under review, we did not receive any whistleblowing messages (2020: Nil).	Risk 7 – Resourcing Risk 9 – Regulatory

COMPLIANCE STATEMENTS
CONTINUED

TCFD

It is now widely recognised that ESG issues present a financial risk to the global economy. In an effort to improve transparency, the Task Force on Climate-related Financial Disclosures (TCFD) framework provides guidance to companies on how to improve reporting on climate-related financial risks and opportunities. Workspace supports the TCFD recommendations and is committed to implementing them, providing stakeholders with information on our exposure to climate-related risks and opportunities, helping them make informed decisions.

The TCFD framework addresses four key areas: **Governance**, **Strategy**, **Risk Management** and **Metrics & Targets**.

Following a gap analysis, this year we will be appointing a consultant to carry out a more in-depth scientific study on climate scenarios and undertake a quantitative analysis on the potential financial impacts. We will also be holding a workshop with key internal stakeholders to help inform the revised disclosure, as well as raise awareness of TCFD throughout the business.

Governance

THE BOARD'S OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

Workspace Board
The highest level of responsibility for our long-term success and the delivery of strategic and operational objectives lies with the Board of Directors. The Board sets the Group's overall risk appetite, tolerance and strategy, including in relation to sustainability, carbon and energy management, of which climate change is directly linked.

Risk Committee
The Risk Committee is a Board committee formed of independent Non-Executive Directors and meets quarterly. It oversees the Group's risk management framework and advises the Board on risk appetite, tolerance and strategy.

Executive Committee
The Executive Committee is responsible for the Group's day-to-day risk management procedures and reports to the Risk Committee on the operation of the Group's risk management framework.

Risk Management Group
The Risk Management Group is chaired by the Chief Financial Officer with other members drawn from different areas of the business. It meets monthly and is responsible for implementing and embedding the Group's risk management activities and reviewing and challenging risk information. It reports to the Executive Committee with a dotted line to the Risk Committee.

ESG Committee
The ESG Committee meets monthly, is chaired by our Head of Sustainability and is made up of cross functional members who are actively involved in new developments, refurbishments and building operations. The ESG Committee is therefore well positioned to actively manage climate change risks and opportunities and engage with relevant internal and external stakeholders to determine the impacts on financial planning and communicate the strategic direction and priorities. The ESG Committee is responsible for implementing processes to ensure the sustainable growth of the company and enable informed business decisions which minimise our contribution to climate change.

The Head of Sustainability reports directly into our Development Director who has responsibility for sustainability at the Executive Committee level, where overarching progress and performance against our targets is governed. The Head of Sustainability provides a monthly update to the Board on ESG matters and formally presents to the Executive Committee and the Board multiple times per year.

COMPLIANCE STATEMENTS CONTINUED

TCFD CONTINUED

Governance continued

MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

Doing the Right Thing strategy

Our ESG strategy covers our development practices, operational emissions and our social impact. It ensures that we operate responsibly in our dealings with all stakeholders and reinforces our commitment to the sustainable long-term growth of our business and employment-led regeneration of London. Our strategy is led by our Head of Sustainability and is implemented by our ESG Committee.

Assessing climate related risks and opportunities

It is the responsibility of the ESG Committee to identify and assess specific climate change issues relating to our business, environmental initiatives, and performance against our objectives and targets. Key members of the committee include Head of Sustainability, Senior Facilities Manager, Senior Project Manager and Head of Legal.

Climate-related risks are captured in one or more of the Group's risk registers, which are reviewed and overseen by the Risk Management Group. All risks, including climate-related risks, are assessed against a scoring mechanism to ensure consistency. The scoring mechanism assesses risk as a combination of likelihood of the risk occurring in the next 5 years and severity of impact if the risk were to occur. The risk registers record each risk, its score, the controls already in place to mitigate it and any further actions which are considered necessary or appropriate.

The Risk Management Group reports to the Executive Committee on the Group's risks and effectiveness of controls. The Executive Committee assesses the Group's principal risks and reports to the Risk Committee on those risks, the operation of the Group's risk management framework and all material changes to the Group's risks and controls. The Risk Committee is also able to ask for information directly from the Risk Management Group should it feel that is necessary and appropriate. The Risk Committee reviews the Executive Committee's assessment of the Group's principal risks and has responsibility for overseeing the Group's risk management framework. In turn, the Risk Committee reports to the Board, which has ultimate responsibility for setting the Group's risk appetite and managing the Group's risks and opportunities.

More details about our risk management framework and the role of the Risk Committee and the Risk Management Group can be found on pages 161 to 166.

COMPLIANCE STATEMENTS CONTINUED

TCFD CONTINUED

Strategy

As a responsible business we consider climate-related risks and opportunities across all our business activities including the design, construction, refurbishment and day-to-day operational management of our portfolio.

We identify risks and opportunities over short term (0-5 years), medium term (5-15 years) and long term (15+years) horizons.

Short term

(0-5 YEARS)

In the short term we will continue to take a proactive approach to minimising the risks and maximising the opportunities associated with the international and national regulatory landscape, our customers' needs and expectations and a growing concern for resource efficiency. These priorities are shaping the way that we build, manage and occupy buildings to mitigate our contribution to climate change. Key short term risks and opportunities that we have identified are as follows:

- Increase in building regulation stringency (MEES levels, Part L regulations, heat network regulations)
- Shift in customer preferences
- Use of operational and construction recycling
- Sustainable transport

See pages 91 to 94

Medium term

(5-15 YEARS)

Over the medium term we are focused on identifying and further managing financial risks associated with climate change. We continually assess market trends and investment opportunities to ensure we are providing a resilient and sustainable investment choice for the future.

- Regulatory Net Zero Carbon requirements
- Increased utility costs
- Increased cost of raw materials
- Availability of sustainable building materials
- Carbon pricing
- Grey water recycling
- Shift in customer preferences

See pages 91 to 94

Long term

(15+YEARS)

To consider the longer-term climate-related issues, such as increased precipitation, a hotter climate and more volatile weather events, we continue to engage with our architects, contractors and engineers to consider opportunities to adapt to these climate-related issues in the design of our developments and refurbishments to ensure that our buildings are resilient and fit for the future.

- Shift in customer behaviour and preferences
- Rising mean temperatures
- Extreme variability in weather patterns
- Further increase in building regulation stringency
- Increase market valuation through resilience planning

See pages 91 to 94

COMPLIANCE STATEMENTS CONTINUED

TCFD CONTINUED

Strategy continued

IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON OUR BUSINESS, STRATEGY AND FINANCIAL PLANNING

Business and Strategy
Our 'Doing the Right Thing' strategy ensures that we operate responsibly in our dealings with all stakeholders and reinforces our commitment to the sustainable growth of our business, including managing the impacts of climate-related risks and opportunities. Our 'Doing the Right Thing' strategy is also supported by several core policies including our Environmental Policy and Climate Change Policy as well as supporting risk management processes which set out how we will identify, manage and respond to climate-related risks and opportunities.

Financial Planning
The Board, with support from various committees, is ultimately responsible for ensuring that the impact of climate related risks and opportunities is considered within our financial planning. Financial impact assessments are undertaken and monitored at various levels with the business in order to consider the risks and opportunities from climate change and wider sustainability issues (such as energy, water, waste). These financial impacts are considered as of asset acquisition stage and within our overall business strategy and financial planning, in particular when planning our CAPEX and OPEX budgets, to reduce our contribution to climate change and reduce our operational costs to ensure that our buildings remain attractive to tenant and are resilient to change. Budgets include allocations towards sustainable construction practices, energy efficiency technologies, on-site renewable energy, and green energy procurement. In March 2021 Workspace issued its first green bond and raised debt to specifically finance or refinance green refurbishment projects.

As an example, the risk associated with the Minimum Energy Efficiency Standard (MEES), whereby landlords are unable to let or renew a letting if a property falls below an E rated EPC, was identified as a 'high' risk as it is considered to have a substantive financial impact on Workspace as it directly affects our ability to let out units, and thus has a significant impact on our profits. To manage this risk, a subcommittee including representatives from the development and sustainability teams was set up to closely monitor progress.

RESILIENCE OF STRATEGY, TAKING INTO CONSIDERATION DIFFERENT CLIMATE-RELATED SCENARIOS, INCLUDING A 2°C OR LOWER SCENARIO

Our properties are at risk from physical climate-related issues including changes in temperature extremes leading to increase cooling and heating loads, changes in precipitation leading to flash flooding, and physical damage to buildings from extreme weather events, which in turn can lead to greater stresses on our properties. We assess the risks that climate change presents to our portfolio and customers at least annually. This information is used to ensure that our 'Doing the Right Thing' strategy and buildings are resilient and fit for a changing future. Our 'Doing the Right Thing' strategy's objectives and targets help to deliver resilient buildings to support our business, customers and the communities that our business operates within.

Our strategy and supporting policies have all been influenced by legislation such as Greenhouse Gas (GHG) and Carbon Reporting Scheme (SECR) reporting, Energy Saving Opportunity Scheme (ESOS), and the Minimum Energy Efficiency Standard (MEES).

We focus heavily on energy and carbon reduction measures, to ensure that our assets operate as efficiently as possible. As detailed in the Metrics and Targets section below we have developed science-based targets which are set against recognised 1.5°C transition scenarios. Setting targets in this way will enable us to determine a carbon reduction trajectory between our base year of 2019/20 and target year of 2029/30.

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED

Risk management

IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

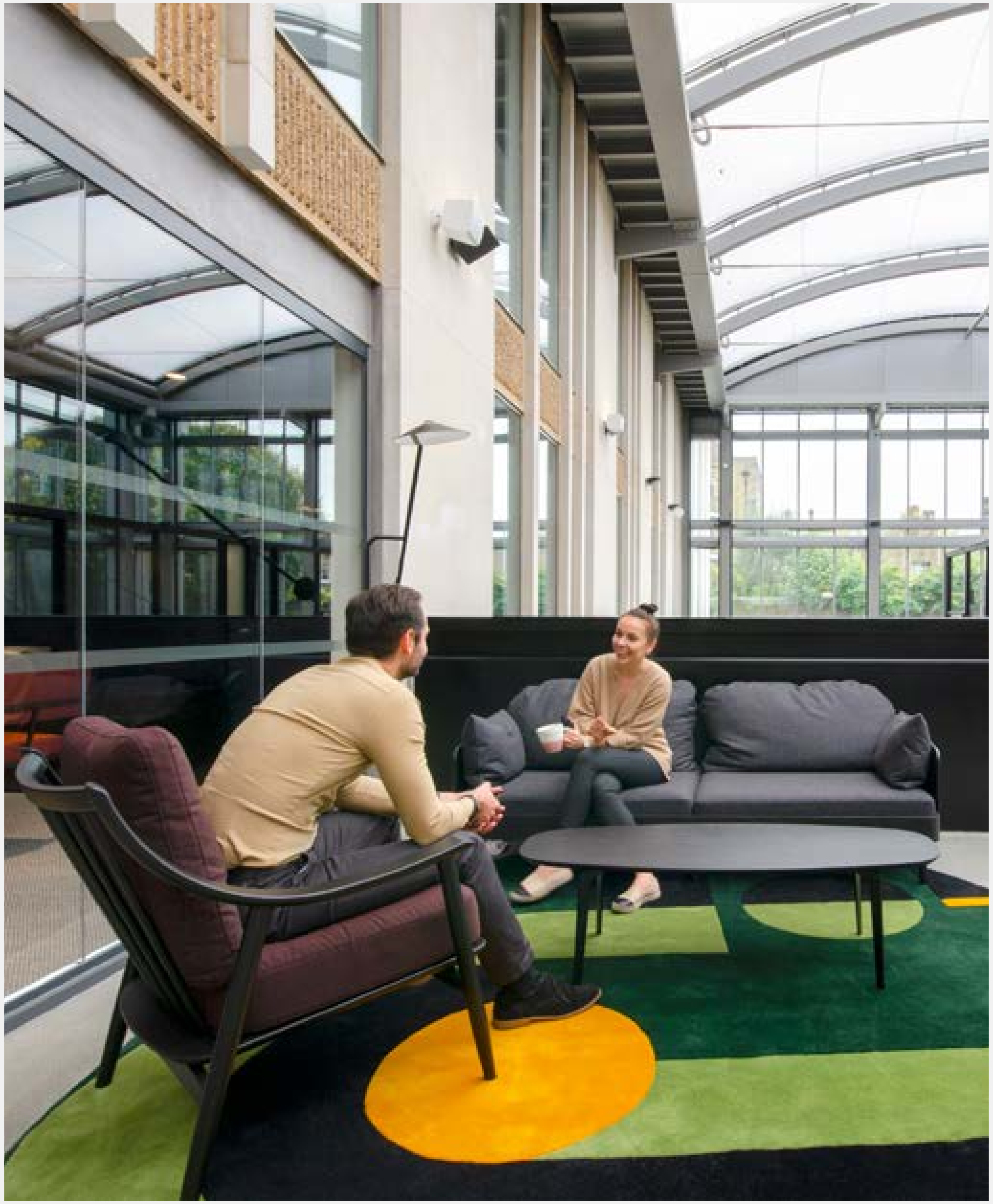
Risk management continues to be an integral part of all our activities. Risks and opportunities are considered in every business decision we make. It is embedded in our culture to consider potential risks of any new business decision. We focus on key risks which could impact on the achievement of our strategic goals and therefore on the performance of our business.

RISK MANAGEMENT FRAMEWORK

We have an established risk management framework in place to help us capture, document and manage risks facing our business. The Risk Committee oversees the effectiveness of risk management throughout the organisation. See our risk management framework on page 166.

Our aim is to manage each of our risks and mitigate them so that they fall within the risk appetite level we are prepared to tolerate for each risk area. Risk appetite reflects the overall level of risk acceptable with regards to our principal business risks. The Board is responsible for deciding the amount of risk it is willing to take. High risk, after considering the controls we have in place to mitigate risks, is not generally tolerated. We work towards a medium to low risk profile, ensuring that we have mitigating actions in place to bring each risk down to within the agreed risk appetite.

Our risk management framework is underpinned by close working relationships between the Executive Directors, senior management and other employees, which enhances our ability to efficiently capture, communicate and action any risk issues identified.



COMPLIANCE STATEMENTS CONTINUED

TCFD CONTINUED

Risk management continued

IDENTIFYING AND ASSESSING RISKS

Overall, we identify and assess risks across two key areas: Principal Business (Strategic) Risks and Operational Risks.

The three-scaled (low, medium, high) risk severity score is determined using the following calculation: Impact x Impact x Likelihood, which provides a weighted impact scoring. The impact is determined on a scale from 1 (low) to 4 (severe) based on revenue, property valuation variation, hazard and health & safety and reputational consequences. Likelihood is determined on a scale from 1 (unlikely) to 4 (almost certain), considering the likelihood of the risk materialising within a five-year period against the following criteria:
- <20%: unlikely,
- 21-49%: possible,
- 50-79%: likely,
- >80%: almost certain.

The below table list our most material climate-related risks and their potential financial impact on our business, along with our current mitigation strategy.

	RISK	POTENTIAL FINANCIAL IMPACT	MITIGATION STRATEGY
TRANSITION RISKS			
POLICY AND LEGAL	Increased pricing of GHG emissions	Increased operating costs	– Continue to purchase green electricity. – Continue rolling out the energy reduction programme.
	Enhanced emissions-reporting obligations	Increased operating costs	– Annual review of legislative landscape. – Integration of legislative compliance costs into business plans. – Implementation of reporting structures and procedures to manage compliance risk. – Monthly review of energy and emissions data by the energy manager and verification by external specialist to ensure accuracy. – Anticipating future stringent energy efficiency building regulations through continuous energy efficiency programme.
	Mandates on and regulation of existing products and services	Write-offs, asset impairment, and early retirement of existing assets due to policy changes	– Upgrading of energy intensive units and continuous monitoring of the portfolio's exposure to the Minimum Energy Efficiency Scheme (MEES).
TECHNOLOGY	Substitution of existing products and services with lower emissions options	Costs to adopt/deploy new practices and processes	– Roll out of energy efficiency technologies (including smart Building Management Systems (BMS) and air source heat pumps).

COMPLIANCE STATEMENTS CONTINUED

TCFD CONTINUED

Risk management continued

IDENTIFYING AND ASSESSING RISKS CONTINUED

	RISK	POTENTIAL FINANCIAL IMPACT	MITIGATION STRATEGY
TRANSITION RISKS CONTINUED			
MARKET	Shift in customer behaviour	Increased capital expenditures and operating costs Reduced revenue from decreased demand for goods/services	– Hosting environmental groups providing a platform for customer to exchange ideas on how to build a more sustainable workplace but also to create a feedback loop and ensure that Workspace are responding to customers' expectations and needs. – Including ESG questions in customer surveys.
	Increased cost of raw materials	Increased cost for redevelopment and refurbishment activities	– Investigating low cost, low environmental impact alternatives to traditional building materials. – Keep as much of the old building structure as possible in refurbishment projects.
	Increased utility prices	Increased operating costs	– Electricity contract on a REGO certified green tariff. – Continue investigating self-generation opportunities (on-site renewable generation for all new development projects).
	Market uncertainty	Re-pricing of assets	– Maintain an attractive portfolio through our Net Zero Carbon strategy.
REPUTATION	Increased stakeholder concern or negative stakeholder feedback	Reduction in capital availability	– Provide transparency through our annual participation to industry sustainability benchmarks such as CDP and GRESB.
PHYSICAL RISKS			
CHRONIC	Changes in precipitation patterns and extreme variability in weather patterns	Increased capital costs (e.g., damage to facilities)	– On-going improvement of our buildings external structure as part of our rolling refurbishment programme. – Factoring potential flooding impacts into new developments at the planning stage.
	Rising mean temperatures	Increased operating cooling costs	– Continue installing air source heat pumps for all new developments and refurbishments. Insulation and efficient cooling measures are taken into account for all new developments.

COMPLIANCE STATEMENTS CONTINUED

TCFD CONTINUED

Risk management continued

IDENTIFYING AND ASSESSING RISKS CONTINUED

The below table list our main climate-related opportunities and their potential financial impact on our business, along with our progress to date.

	OPPORTUNITY	POTENTIAL FINANCIAL IMPACT	PROGRESS
RESOURCE EFFICIENCY	Use of recycling	Reduce construction costs	– We are aiming for high demolition waste recycling rates in our redevelopment projects. – We are closely engaging with our waste contractors to improve our recycling areas on site and introduce more streams where necessary.
	Move to more efficient buildings	Increase in property valuation, lower operating costs	– Our rolling sustainable green refurbishment programme, as well as the installation of air source heat pump and energy efficiency technologies ensure that our portfolio becomes more resilient to transitional and physical climate-related risks. – Energy audits were carried out across our portfolio as part of the Energy Savings Opportunity Scheme. We then implemented the identified energy efficiency initiatives. This included lighting upgrades, BMS and control optimisation, HVAC upgrades, baseload management and building fabric upgrades.
	Reduced water usage and consumption	Increase in property valuation, lower operating costs	– Through the installation of water efficiency fixtures and leak detection system, we ensure that our water usage decreases year on year.
	Availability of sustainable building materials	Better competitive position to reflect shifting consumer preferences, resulting in increased revenues	– We continue to investigate and trial new sustainable materials where possible in new development projects.
ENERGY SOURCE	Use of lower-emission sources of energy	Reduced exposure to future fossil fuel price increases, less sensitivity to changes in carbon prices Increased reputational benefits and capital availability	– We have worked with external consultants to review our portfolio and determine which sites are suitable for onsite renewable generation. All new developments have solar PV panels installed. We also install air source heat pumps to remove our dependence on gas powered heating.
	Use of new technologies	Returns on investment in low-emission technology Increased reputational benefits and capital availability	– We will continue to improve insulation measures and cooling alternatives. For example we install air source heat pumps to remove the need for gas powered heating.
PRODUCTS AND SERVICES	Development and/or expansion of low emission goods and services	Increased revenue through demand for lower emissions products and services	– We ensure that our energy management programme puts us in a competitively advantageous position in regard to the increasing demand for sustainable buildings in the London property market. We now have 61 % of our portfolio with Energy Performance Certificates rated between A and C which is a high percentage compared to our peers. – We encourage the use of more efficient modes of transport through the installation of Electric Vehicle (EV) charging stations at sites operated by Workspace. This anticipates future customer demands.

COMPLIANCE STATEMENTS CONTINUED

TCFD CONTINUED

Risk management continued

IDENTIFYING AND ASSESSING RISKS CONTINUED

	OPPORTUNITY	POTENTIAL FINANCIAL IMPACT	PROGRESS
MARKETS	Use of public-sector incentives	Access to green finance	– We issued our first green bond thus raising debt to specifically finance or refinance green refurbishment projects.
	Behaviour change	Reduced operating costs (e.g., through efficiency gains and cost reductions)	– We work with customers to implement behavioural change and emissions reduction which will result in reduced costs for all parties involved and facilitates the exchange of different ideas and strategies.
	Shift in consumer preference	Better competitive position to reflect shifting consumer preferences, resulting in increased revenues	– We engage with our customers, listening to their feedback and ideas through our "environmental groups". – We voluntarily share information on our carbon emissions and energy usage to both our customers and investors through our website. – We work with groups such as the Better Buildings Partnership to help raise awareness and work with other leading commercial property owners to improve the sustainability of existing commercial building stock.
RESILIENCE	Participation in renewable energy programs and adoption of energy efficiency measures	Increased market valuation through resilience planning	– We work with external consultants to review our portfolio and determine which sites are suitable for onsite renewable generation. – Our new developments integrate on-site solar panels. – Energy audits were carried out across our portfolio as part of the Energy Savings Opportunity Scheme. We then implemented the identified energy efficiency initiatives. This included lighting upgrades, BMS and control optimisation, HVAC upgrades, baseload management and building fabric upgrades.
	Supply chain engagement	Increased reliability of supply chain and increased market valuation through resilience planning	– We carry out Lifecycle Carbon Assessments at design stage of redevelopment projects. – We engage with our supply chain to ensure that construction practices limit the use of new material where possible and make use of materials with highly recycled or recyclable content. – We aim for BREEAM "Excellent" certifications for all our new developments and major refurbishment projects.

COMPLIANCE STATEMENTS CONTINUED

TCFD CONTINUED

Risk management continued

PRINCIPAL BUSINESS (STRATEGIC) RISKS

These are risks which impact achievement of our strategy and objectives. They are identified, assessed and managed by the Executive Committee but are ultimately owned by the Board. The Board Risk Committee receives updates on these principal risks at least twice a year, and considers whether we continue to operate within our desired risk appetite.

OPERATIONAL RISKS

These are lower level risks covering day-to-day processes and procedures and regulation requirements. These cover all areas of the business, such as Finance, Operations, Investment and Development and are assessed, managed and owned by the Risk Management Group, which reports to the Executive Committee. Day-to-day operational risks are managed via risk registers each of which is reviewed and challenged by the Risk Management Group at least twice per year. Changes in operational risks are reported to the Board Risk Committee as appropriate.

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED

Metrics and Targets

Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management processes
To understand our impacts and performance we report on a wide range of consumption and intensity metrics relating to energy, carbon, waste and water.

Scope 1, Scope 2 and Scope 3 Greenhouse Gas Emissions (GHG) and the related risks
Carbon emissions represent one of our largest environmental impacts and we are actively working to reduce our sources of carbon where possible. Significant contributors to our operational carbon emissions are the electricity and gas consumed within our buildings; by improving the energy efficiency of our buildings we aim to reduce our overall carbon footprint. Following an in-depth analysis of our Scope 3 emissions, we now have a much better understanding of the emissions associated with our development and refurbishment activities which make up the majority of our Scope 3 emissions. Refer to page 97 for our Scope 1, 2 and 3 greenhouse gas emissions data and year on year changes.

Targets used to manage climate-related risks and opportunities and performance against targets
To reduce our carbon emissions, we continue to focus on designing low-carbon buildings and implementing energy efficiency initiatives throughout the portfolio, whilst actively engaging with both our site staff and customers.

OUR MAIN TARGETS TO REDUCE EMISSIONS ARE:

1. Reduce absolute Scope 1 GHG emissions 42% by FY2030 from a FY2020 base year
2. Continue annually sourcing 100% renewable electricity through FY2030 (Scope 2)
3. Reduce Scope 3 GHG from capital goods 20% per square foot of net lettable area by FY2030 from a FY2020 base year
4. Deliver a net zero carbon real estate portfolio by 2030 (includes operational & embodied carbon)
5. Undertake embodied carbon assessments for all new developments and major refurbishment projects
6. Develop a comprehensive climate change resilience strategy for our portfolio by March 2022

COMPLIANCE STATEMENTS CONTINUED

GHG/SECR emissions

The table opposite details our Scope 1, 2 and 3 greenhouse gas emissions data and year on year changes.

GREENHOUSE GAS ('GHG') EMISSIONS AND ENERGY USE DATA FOR STREAMLINED ENERGY & CARBON REPORTING (SECR)

In order to satisfy the requirements, we report both absolute emissions and emissions as an intensity ratio, this is based on net lettable and occupied area.

Source of emissions	2019/20 Base Year	2020/21	2020/21 vs 2019/20 Baseline % change
Scope 1 (Direct)	**3,450**	**2,887**	**-16%**
Gas (tCO_2e)	2,620	2,028	-23%
Fugitive Emissions (tCO_2e)	828	857	4%
Vehicle Emissions (tCO_2e)	3	2	-33%
Scope 2 (Energy Indirect)	**7,151**	**4,719**	**-34%**
Electricity (location based) tCO_2e	7,021	4,568	-35%
Electricity (market based) tCO_2e	0	0	–
Purchased Heat (location based) tCO_2e	130	151	16%
Total Scope 1 &2 (Location Based)	**10,601**	**7,606**	**-28%**
Energy Consumption used to calculate above emissions (kWh)	42,466,715	31,507,660	-26%
Intensity Ratio: Net lettable area tCO_2e/m^2	0.029	0.020	-31%
Intensity Ratio: Occupied Space area tCO_2e/m^2	0.033	0.026	-21%
Scope 3 (Other Indirect)	**65,838**	**36,640**	**-44%**
Purchased Electricity Transmission & Distribution (tCO_2e)	596	393	-34%
Customer Direct Energy (tCO_2e)	3,265	2,053	-37%
Water Supply (tCO_2e)	91	61	-33%
Water Treatment (tCO_2e)	187	126	-33%
Waste Management (tCO_2e)	82	41	-50%
Heat – Transmission & Distribution (tCO_2e)	7	8	14%
Embodied carbon in development projects	53,774	32,308	-40%
Purchased goods and services	7,678	1,529	-80%
Employee Commuting	84	121	44%
Business Travel	74	0	-100%
Total Scope 1, 2 & 3	**76,439**	**44,246**	**-42%**

COMPLIANCE STATEMENTS CONTINUED

GHG/SECR EMISSIONS CONTINUED

METHODOLOGIES

REPORTING PERIOD	1ST APRIL 2020 – 31ST MARCH 2021
BOUNDARY	Operational control, UK only. Scope 1 and 2 emissions include tenant consumption where we procure gas, electricity or heat on their behalf.
REPORTING STANDARDS	World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition (the GHG Protocol) (Scope 1 and 2). World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: Corporate Value Chain (Scope 3).
REGULATORY	Part 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013
VERIFICATION	Verified to the international standard ISO 14064-3:2019 Specification. Limited level of assurance, based upon a 5% materiality threshold.
OTHER	When reporting totals, the location-based emissions are used. All market-based emissions are backed by Renewable Energy Guarantees of Origin (REGOs) Emissions from vacant units have been omitted from data collection as they are considered to be immaterial.

Performance

Our operational emissions have decreased significantly this year due to low utilisation across our centres as a result of the pandemic. However, our centres remained open during the year, supporting key workers and customers who couldn't work from home, which is why there was a reasonable amount of consumption, particularly the heating over the winter months as this is often centralised.

Another contributing factor for Scope 1 emissions reductions is the replacement of several gas central heating systems with air source heat pumps for environmental purposes and because there has been a further increase in demand for air-conditioned space. Our gas consumption has decreased as a result of this and improved data monitoring.

Besides the low occupancy, the reduction in Scope 2 emissions is due to a decrease in the carbon dioxide emission factor for UK electricity generation, which is attributed to a decrease in coal generation and the rapid expansion of renewables. Our market-based electricity figure is zero because all of the electricity we purchase is now on a renewable energy contract backed by Renewable Energy Guarantees of Origin (REGOs).

Both intensity ratios have reduced since the baseline year, with a slight year on year increase for the net lettable area intensity.

Our Scope 3 emissions have decrease mostly due to the reduced number of construction activities across the portfolio. The emissions associated with waste management decreased by 50% compared to the previous year due to a decrease in occupancy but also an increase in the recycling rate. Our recycling target remains 76% for the coming year.

Energy Efficiency Action Taken during 2020/21:

We have proactively identified and delivered a range of energy management projects across our portfolio including technology and infrastructure upgrades, improved data management and employee engagement. During the year we have implemented LED and PIR lighting upgrades, set up smart building management systems, solar panels and carried out insulation improvements, all of which are expected to result in a 1,257 MWh saving in energy consumption. Many of these projects were recommendations from our phase two ESOS (Energy Saving Opportunity Scheme) audits carried out in 2019 which identified 2,909 MWh of potential energy savings.

We have continued to roll out our Optergy Building Energy Management System (BEMS) which is a smart metering technology that has enabled real-time energy monitoring at the building level right down to individual plant equipment. The data provided by the BEMS is used by our in-house Facility Management teams to improve energy management practices and reduce GHG emissions. The Optergy customer portal is now live at fourteen of our sites and enables our customers to log in to view and monitor their energy consumption profiles for their own unit.

INTRODUCTION TO CORPORATE GOVERNANCE

I have been proud of the loyalty and commitment of our people this year and how all our teams at Workspace have demonstrated strong adherence to our values during these difficult market conditions. Maintaining good governance and operating under a clear purpose are more important than ever in challenging times and I believe Workspace will come out of this crisis stronger than ever.

Stephen Hubbard
Chairman

INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

Governance at a glance

Key Board decisions

The major decisions taken by the Board and its Committees during the year included:

SUPPORTING CUSTOMERS

Approved the offering of a 50% rent reduction to the Group's customers who had been affected by Government restrictions related to Covid-19 (see pages 50 and 123).

NET ZERO CARBON PATHWAY

Confirmed the Board's target to become net zero carbon by 2030 and approved the strategy (see pages 40 to 41 and 123).

APPROVED GREEN BOND

Approved the issuance of a £300m green bond for a term of seven years (see pages 42, 115 and 123).

Key activities in 2020/21

See page 111

Key governance activities

The Board's key governance activities during the year have included:

1
Appointment of two new Non-Executive Directors

See page 140

2
External evaluation of the Board, its Committees and individual Directors

See page 146

3
The creation of a Risk Committee

See page 161

4
Appointing Stephen Hubbard as the Non-Executive Director responsible for employee engagement

See page 118

5
A review of the executive remuneration framework and new Remuneration Policy presented to shareholders at the AGM in July 2020

See page 178

INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

Compliance statement

The Board confirms that, for the year ended 31 March 2021, we have complied with all of the provisions of the UK Corporate Governance Code 2018. The application of the Code's Principles is evidenced throughout the Annual Report and the table to the right shows how the Governance section has been structured around the Code Principles (A to R).

Further information on the Code can be found on the Financial Reporting Council's website at www.frc.org.uk.

How we comply with the UK Corporate Governance Code 2018

Board leadership and company purpose

Division of responsibilities

Composition, succession and evaluation

Audit, risk and internal control

AUDIT COMMITTEE REPORT

RISK COMMITTEE REPORT

Remuneration

INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

Chairman's governance letter

2 June 2021

Dear Shareholder

Having assumed the role of Chairman in July 2020, I present our Governance report for the year. The Board remains committed to maintaining effective corporate governance and integrity, enabling us to deliver our strategy for the long-term benefit of all our stakeholders.

Board changes and succession planning
Through the Nominations Committee, we focus on Board succession planning and composition, to ensure that we have the appropriate balance of skills, independence, experience and diversity. Maria Moloney will have served nine years on the Board in May 2021, and so will retire at our 2021 AGM. On behalf of the Board, I would like to thank Maria for her valued contribution to the business over the years and, in particular, for her Chairmanship of the Remuneration Committee. Suzi Williams, who joined the Board in January 2020, has succeeded Maria as Chair of the Remuneration Committee.

We welcomed Rosie Shapland and Lesley-Ann Nash during the year, as two new Non-Executive Directors. Rosie, a Chartered Accountant, was previously an audit partner at PwC. Rosie will assume the role of Chair of the Audit Committee from the conclusion of the AGM in 2021. Both Rosie and Lesley-Ann bring a wealth of experience, complementing the existing skills already evident on the Board. These appointments were subject to a formal, rigorous and transparent procedure, led by the Nominations Committee. More information on Rosie and Lesley-Ann's inductions and the search process can be found on pages 140 to 142.

Ishbel Macpherson stepped down from the Board in July 2020 and I would like to take this opportunity to thank Ishbel for her contribution to the Board during her tenure.

Board evaluation and effectiveness
There is always the ability to improve, and we take the regular Board evaluation process as an important opportunity to reflect upon our own performance. This year, our Board evaluation was undertaken externally by Fidelio Partners and I am pleased to report that the Board and its Committees were considered to be working effectively. It was pleasing to note that Board members feel proud of the Company and excited by the opportunities Workspace faces. The Board also recognised and respected the contribution and achievement of the Executive Committee through the Covid-19 crisis, referencing in particular the response to the first lockdown of offering a 50% rent reduction to all business centre customers in the first quarter.

Details of the evaluation process, the findings of the review and our progress against the 2019/20 objectives can be found on pages 146 to 148.

Governance during Covid-19
2020 has been a turbulent year with Covid-19 and uncertainty surrounding Brexit. To ensure that the Board was able to actively support the business as the Covid-19 pandemic developed, additional Board and Committee meetings were held to provide leadership and effective risk oversight. The Board also moved rapidly to a new form of remote working, supporting the Executive and providing key approvals and decisions when required. Regular updates were provided to the Board by the CEO. In addition, town hall meetings, hosted by the CEO and members of the Executive Team, answering anonymous questions raised by staff (see page 118) provided valuable insights for the Board.

To ensure the safety of employees and our shareholders, we held the 2020 AGM as a closed meeting. At the time of writing, we are expecting all restrictions on meetings and movement to be lifted in June 2021, and on that basis preparations are being made to hold an open AGM on 22 July 2021, subject of course to any Government guidance in place at the time.

The Board continues to be supported by the work of our Committees whose full reports follow across pages 136 to 197. As noted, key recommendations from the Nominations Committee have centred on Board succession planning. A new Risk Committee was also established during the year and is a compelling addition to our governance structure. The Audit Committee has maintained its focus on monitoring the integrity of financial reporting and its oversight on the effectiveness of the external audit. The Remuneration Committee has continued to oversee the alignment between pay and performance, with consideration of balanced and fair outcomes in the context of the external environment.

INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

Employee engagement

Employee engagement remains an important part of my role which I will continue to develop during my tenure. I have really enjoyed meeting with employees as part of this programme (both in person and virtually) and discussing a broad range of topics. Regular engagement with our employees is an important channel for gathering customer insights, broader market information, as well as helping to maintain a positive company culture and a proactive working environment. Awareness and understanding of employees' views informs our discussions at the Board and Executive Committee level.

Details on employee engagement can be found on page 118.

Looking forward

The team at Workspace have worked incredibly hard in navigating the challenges faced by the business over the past year brought about by the coronavirus pandemic. They have shown real dedication and resolute attention to their work. I would like to thank them all for their commitment to the business and for continuing to nurture the vital relationships we hold with our customers. I am also confident that Workspace has a culture, both within and outside of the boardroom, that will result in the right decisions and actions being taken to promote the long-term success of the business.

Stephen Hubbard
Non-Executive Chairman

BOARD LEADERSHIP AND COMPANY PURPOSE

Graham Clemett
Chief Executive Officer

The determination, engagement and loyalty of our employees, the strength of our relationships with our stakeholders and strong governance are fundamental to our long-term success.

Attendance at Board and Committee meetings	page 105
Complying with the Code Principles	page 105
Our Board	page 106
Board and Committee membership	page 109

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Overview

Attendance at Board and Committee meetings

	Board	Audit	Remuneration	Risk	Nominations
Stephen Hubbard[1]	9/9	1/1	8/8	–	3/3
Graham Clemett	9/9	–	–	–	–
Dave Benson	9/9	–	–	–	–
Chris Girling[4]	9/9	3/3	4/4	2/2	3/3
Maria Moloney[3]	8/9	3/3	7/8	–	3/3
Lesley-Ann Nash[2]	3/3	1/1	1/1	1/1	–
Damon Russell[4]	9/9	3/3	4/4	2/2	3/3
Rosie Shapland[2]	3/3	1/1	1/1	1/1	–
Suzi Williams[3]	9/9	3/3	8/8	–	3/3
Ishbel Macpherson[5]	4/4	1/1	4/4	–	1/1
Daniel Kitchen[5]	4/4	–	4/4	–	1/1

1. Stephen Hubbard was appointed as Chairman in July 2020. In accordance with the Code, Stephen stepped down as a member of the Audit Committee.
2. Rosie Shapland and Lesley-Ann Nash were appointed to the Board on 6 November 2020 and 1 January 2021 respectively. Rosie and Lesley-Ann attended their first Board and Committee meetings in January 2021.
3. Suzi Williams was appointed as Chair of the Remuneration Committee on 1 January 2021. Maria Moloney attended her last meeting of the Committee in November 2020, although she remained a member until the handover to Suzi was completed in January 2021. Maria did not attend the Board or the Remuneration Committee meetings in April 2020 due to personal circumstances.
4. Chris Girling and Damon Russell stepped down from the Remuneration Committee during the year. They attended their last meeting in July 2020.
5. Daniel Kitchen and Ishbel Macpherson stepped down from the Board on 9 July and 24 July 2020 respectively.

Complying with the Code Principles

PRINCIPLE A
A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

There have been a number of changes to the Board this year. We were pleased to welcome Rosie Shapland and Lesley-Ann Nash as Non-Executive Directors in November 2020 and January 2021 respectively.

Read more about their appointments and our effective and experienced Board on pages 140 to 148.

PRINCIPLE B
The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

The Board sets the tone from the top by considering culture and values throughout its decision-making.

Read more about how the Board monitored and assessed the Group's purpose, values and culture on page 113.

PRINCIPLE C
The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

The Board regularly discusses our strategy and objectives and our progress against them. Read more on page 111.

The Risk Committee regularly reviews our risk framework and internal control processes with input from the Audit Committee on financial risks. Read more on pages 155, 161 and 166.

PRINCIPLE D
In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

We have continued with our programme of stakeholder engagement this year, including with our people, customers and suppliers. Read more on pages 118 to 121.

We continue to have a thorough programme of investor engagement. Read more on pages 116 to 117.

PRINCIPLE E
The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

We value the contribution that our people make to the success of our business and we provide benefits and support mechanisms to maintain physical and mental wellbeing.

Read more on our workforce policies and practices on page 114.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

BOARD OF DIRECTORS CONTINUED

Our Board

Led by our Chairman, Stephen Hubbard, the Board provides the leadership of the Company and is collectively responsible and accountable to shareholders for the Company's long-term success, leadership, strategy, values, culture, control and management.

COMMITTEE MEMBERSHIP

- Nominations Committee
- Audit Committee
- Remuneration Committee
- Risk Committee
- Executive Committee
- Investment Committee
- Disclosure Committee
- Chair

CHAIRMAN

Stephen Hubbard
Independent
Non-Executive Director

COMMITTEE MEMBERSHIP

APPOINTED
Board: July 2014
Chairman: 9 July 2020

CURRENT EXTERNAL APPOINTMENTS
Stephen is Non-Executive Chairman of LXI REIT PLC and a member of the advisory board of Redevco, a pan-European property holding company.

PREVIOUS APPOINTMENTS
Stephen was Chairman of CBRE UK until he retired in December 2019. He joined Richard Ellis in 1976 and held the position of Head of EMEA and UK Capital Markets from 1998 to 2012.

RELEVANT SKILLS AND BUSINESS EXPERIENCE
- Many years' experience of operating within the property sector.
- An outstanding track record in the investment market and has advised on several landmark transactions involving international capital.
- Broad range of knowledge and experience at board level.
- Extensive experience in leadership and executive management.
- Experience of public company boards and their operation.
- Experience of regeneration and development projects.
- Strong financial skills.

EXECUTIVE DIRECTORS

Graham Clemett
Chief Executive Officer

COMMITTEE MEMBERSHIP

APPOINTED
Board: July 2007
CEO: 24 September 2019

CURRENT EXTERNAL APPOINTMENTS
Graham is currently the Senior Independent Non-Executive Director and Chairman of the Audit Committee at The Restaurant Group plc.

PREVIOUS APPOINTMENTS
Previously, Graham was Finance Director for UK Corporate Banking at RBS Group PLC. Prior to that, Graham spent eight years at Reuters Group PLC, latterly as Group Financial Controller.

RELEVANT SKILLS AND BUSINESS EXPERIENCE
Detailed knowledge of Workspace operations and extensive experience of the property sector gained through his 13 years' experience with the Group.
- Strong commercial, strategic and communication skills.
- Previously CFO of the Group, having joined in 2007.
- Graham is a chartered accountant.
- Strong financial skills.
- Extensive experience in leadership and management and establishing an open and transparent culture.
- Significant experience of financing and capital raising.
- Extensive investor relations experience.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

BOARD OF DIRECTORS CONTINUED

EXECUTIVE DIRECTORS CONTINUED

Dave Benson
Chief Financial Officer

COMMITTEE MEMBERSHIP

APPOINTED
1 April 2020[1]

CURRENT EXTERNAL APPOINTMENTS
Dave does not have any current external appointments.

PREVIOUS APPOINTMENTS
Prior to joining Workspace, Dave was the Corporate Finance Director of Whitbread PLC. He previously held senior finance roles at Kier Group plc and Keller Group PLC. He qualified as a Chartered Accountant with Deloitte.

RELEVANT SKILLS AND BUSINESS EXPERIENCE
- Strong financial skills, having gained experience in a series of dynamic businesses. Dave is a Chartered Accountant.
- A good understanding of technology and its commercial applications.
- High level of commercial expertise, business and strategy development gained with Whitbread plc and in other public companies.
- Strong communication and leadership skills.
- Experience of infrastructure and development projects.
- Extensive experience of corporate transactions, acquisitions and integrations.
- Experience of investor relations, capital markets and investor roadshows.
- Detailed knowledge of risk management and internal control systems.

1. Dave joined the Board as Chief Financial Officer on 1 April 2020. From 1 April 2020, Dave became a member of the Executive Committee, the Investment Committee and the Disclosure Committee.

NON-EXECUTIVE DIRECTORS

Chris Girling
Senior Independent Non-Executive Director

COMMITTEE MEMBERSHIP

APPOINTED
February 2013[1]

CURRENT EXTERNAL APPOINTMENTS
Chris, a Chartered Accountant, is currently a Non-Executive Director and Chairman of the Audit Committee of Johnson Service Group PLC and Non-Executive Director and Chairman of the Audit Committee of South East Water Limited. He is also Chair of Trustees for the Slaughter and May Pension Fund.

PREVIOUS APPOINTMENTS
Chris was Group Finance Director of Carillion PLC from 1999 to 2007 and Vosper Thornycroft PLC from 1991 to 1999. Chris retired as a Non-Executive Director of Keller Group PLC in May 2019.

RELEVANT SKILLS AND BUSINESS EXPERIENCE
- CFO of FTSE 250 companies for 17 years.
- Recent and relevant financial experience as a Chartered Accountant.
- Detailed knowledge of risk assessment and management systems.
- Experience of infrastructure and development projects.

1. Chris was appointed Chairman of the Audit Committee in July 2014.

Maria Moloney
Independent Non-Executive Director

COMMITTEE MEMBERSHIP

APPOINTED
May 2012[1]

CURRENT EXTERNAL APPOINTMENTS
Maria is currently on the Board and a Trustee of the Northern Ireland Cancer Centre in Belfast.

PREVIOUS APPOINTMENTS
Maria was previously on the Board of the Belfast Harbour Commissioners, the Industrial Development Board for Northern Ireland, the Northern Ireland Transport Holdings Company, the Independent Television Commission (London) and The Broadcasting Authority of Ireland (Dublin).

RELEVANT SKILLS AND BUSINESS EXPERIENCE
- Strong marketing and commercial skills.
- A lawyer by background, with significant legal and corporate governance experience.
- Business and strategy development.
- Strategic business assessments across diverse market sectors.

1. Maria was Chair of the Remuneration Committee until 1 January 2021.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

BOARD OF DIRECTORS CONTINUED

NON-EXECUTIVE DIRECTORS CONTINUED

Suzi Williams
Independent Non-Executive Director

COMMITTEE MEMBERSHIP

APPOINTED
January 2020[1]

CURRENT EXTERNAL APPOINTMENTS
Suzi is a Non-Executive Director at Zegona Communications where she Chairs their Nomination and Remuneration Committee. She is also a Non-Executive Director at Telecom Plus.

PREVIOUS APPOINTMENTS
Suzi was a Non-Executive Director and Chair of Remuneration at The AA plc until the successful sale to private equity earlier in 2021. Prior to that, she held a variety of strategic marketing and commercial roles in blue chip consumer businesses from Procter and Gamble Europe and BBC Worldwide to KPMG. Most recently she was Chief Brand and Marketing Officer at BT plc for ten years until 2016.

RELEVANT SKILLS AND BUSINESS EXPERIENCE
- Deep experience leading strategic brand development, commercial marketing, growth and innovation at publicly listed companies.
- Adviser and coach to a number of start up businesses in the technology space.
- Seasoned Plc Non-Executive Director and Remuneration Committee Chair.

1. Suzi was appointed Chair of the Remuneration Committee with effect from 1 January 2021.

Damon Russell
Independent Non-Executive Director

COMMITTEE MEMBERSHIP

APPOINTED
May 2013[1]

CURRENT EXTERNAL APPOINTMENTS
Damon holds advisory roles for a number of private companies in the digital media, sport and educational sectors. He is currently Chief Executive of Spoke Interactive, a media service provider, and a Director of The Dating Lab, a business that provides online dating services to some of the world's leading media brands. Previously, he co-founded Telecom Express, which was sold to AMV BBDO, part of the Omnicom Group. In 2004, Damon led a successful management buyout. He has over 30 years' experience in this fast-paced and ever-evolving, dynamic industry.

PREVIOUS APPOINTMENTS
Damon was previously Non-Executive Director of iannounce before its merger with Legacy.com in May 2013.

RELEVANT SKILLS AND BUSINESS EXPERIENCE
- Extensive digital and media technology experience.
- Strong strategic and commercial understanding.
- Significant experience in alliances, ventures and partnerships.
- Knowledge of service-related industry requirements and key client relationships.

1. Damon was appointed Chairman of the Risk Committee in September 2020.

Rosie Shapland
Independent Non-Executive Director

COMMITTEE MEMBERSHIP

APPOINTED
November 2020[1]

CURRENT EXTERNAL APPOINTMENTS
Rosie is currently a Non-Executive Director at Foxtons Group plc, where she is Chair of their Audit Committee and a member of their Remuneration and Nomination Committees, and PayPoint plc, where she is Chair of their Audit Committee and a member of their Nomination and Remuneration Committees. Rosie is a Chartered Accountant.

PREVIOUS APPOINTMENTS
Rosie was previously an audit partner at PwC.

RELEVANT SKILLS AND BUSINESS EXPERIENCE
- Many years' experience of operating within the finance sector.
- A broad range of plc Board experience.
- Investment and corporate transactions.
- Strong financial skills.

1. Rosie will succeed Chris Girling as Chair of the Audit Committee in July 2021.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED
BOARD OF DIRECTORS CONTINUED

NON-EXECUTIVE DIRECTORS CONTINUED

Lesley-Ann Nash
Independent Non-Executive Director

COMMITTEE MEMBERSHIP
● ● ● ● ○ ○ ○

APPOINTED
January 2021

CURRENT EXTERNAL APPOINTMENTS
Lesley-Ann is currently a Non-Executive Director of St. James's Place plc, where she is a member of their Audit and Risk Committees. Lesley-Ann is a trustee of North London Hospice

PREVIOUS APPOINTMENTS
Lesley-Ann was previously a Director in the Cabinet Office of HM Government and a Managing Director at Morgan Stanley, as well as having previously worked at UBS and Midland Bank.

RELEVANT SKILLS AND BUSINESS EXPERIENCE
- Deep global capital markets experience on both buy and sell sides.
- Extensive knowledge of central and local government and experience of policy development, procurement and major programme delivery.
- A track record of promoting inclusion and diversity and delivering meaningful cultural change.
- Deep financial fluency gained as a fellow of the Chartered Institute of Management Accountants (CIMA).
- PLC Board experience.

COMPANY SECRETARY

Carmelina Carfora
Company Secretary

APPOINTED
March 2010

Carmelina is Secretary to the Board and its Committees, monitoring compliance with its procedures and providing advice on governance matters. At the direction of the Chairman, she is responsible for making sure the Board receives accurate, timely and relevant information. She also co-ordinates the induction of new Board members and the provision of ongoing training and development of the Board.

Carmelina's other responsibilities include: corporate governance, monitoring and compliance with legislation (including data protection legislation) and the administration of share schemes.

BOARD AND COMMITTEE MEMBERSHIP
As at 31 March 2021

	BOARD	NOMINATIONS COMMITTEE	AUDIT COMMITTEE	REMUNERATION COMMITTEE	RISK COMMITTEE	EXECUTIVE COMMITTEE	INVESTMENT COMMITTEE	DISCLOSURE COMMITTEE
CHAIRMAN								
Stephen Hubbard Non-Executive Chairman	●	●		●				
EXECUTIVE DIRECTORS								
Graham Clemett Chief Executive Officer	●					●	●	●
David Benson Chief Financial Officer	●					●	●	●
NON-EXECUTIVE DIRECTORS								
Chris Girling Senior Independent Non-Executive Director	●	●	●		●			
Maria Moloney Non-Executive Director	●	●	●					
Suzi Williams Non-Executive Director	●	●	●	●				
Damon Russell Non-Executive Director	●	●	●		●			
Rosie Shapland Non-Executive Director	●	●	●	●	●			
Lesley-Ann Nash Non-Executive Director	●	●	●	●	●			
MEMBERS OF THE EXECUTIVE COMMITTEE								
Angus Boag Development Director						●	●	
John Robson Asset Management Director						●	●	
Claire Dracup Head of People						●		
Will Abbott Chief Customer Officer						●		
Richard Swayne Investment Director						●	●	
Carmelina Carfora Company Secretary						●	●	

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Q&A with the Executive Team

CARMELINA CARFORA
COMPANY SECRETARY

Carmelina keeps the Board up to date and informed, as well as advising the business on all corporate governance matters.

Q What changes in regulation have you had to contend with this year and has Brexit had an impact?

A The biggest challenge we found this year was keeping the business and the Board up to date with the very rapidly changing law and regulation relating to Covid-19. This included issues around health and safety but also making sure that we held a valid AGM despite Government restrictions and, of course, constantly making sure we were considering our obligations under the Market Abuse Regulation.

As an entirely UK-focused business, Brexit has not had a major impact on us from a regulatory point of view. We had to update some policies to make sure they referred to the new UK law versions of former EU laws, and we did some work to ensure our data protection compliance was not affected.

“We received very positive feedback on the unconscious bias training we held during the year.”

Q Over the last year, there has been a greater spotlight on diversity and inclusion. What is Workspace doing in this area?

A This has been an area of great focus for Workspace this year.

The Executive Committee and all senior managers attended full day training sessions on unconscious bias and we plan to roll training out to all employees following the very positive feedback we received.

We have reviewed our recruitment process and are producing interview guides, as well as working more closely with recruitment agencies to improve the diversity of job applicants.

Finally, we plan to improve our data collection and analysis in this area so that we can better report and measure progress.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Board activities 2020/21

Principal Board activities during 2020/21

The Board met nine times during the year, including the Annual General Meeting. Details of Director attendance can be found on page 105.

Since and including March 2020, all full meetings of the Board and its Committees have, in the main, been conducted virtually with full attendance. The agendas have been developed with active consideration of the status of the Covid-19 pandemic and the current priorities of the Group.

One meeting every year is arranged specifically to consider the Group's strategy and the five-year plan. The Board discusses market trends, capital structure, portfolio evolution and other strategic matters impacting the long-term success of the Group.

An overview of our Board's key activities is detailed to the right.

Strategy

- An annual strategic review in September 2020 to approve the five-year plan. Members of the Executive Committee joined the Board to provide insights and stimulate discussion on a number of different topics. Following the strategy day, certain ideas generated were further considered and refined for incorporation into the business plan.
- We sought presentations from external advisers who provided an update on the property and equity markets.
- Considered the impact of Brexit, Covid-19 and market uncertainty on our business.

Operations

- Updates considered with regard to customer support during Covid-19 and the implementation of social distancing measures to benefit customers.
- Requested updates on the social media campaign and marketing programme targeting the easing of restrictions and return to the office.

Stakeholder engagement

- Received updates on our investor engagement programmes and received reports from brokers and analysts.
- Received an update from the Chairman on his employee engagement meetings with staff in his role as NED responsible for employee engagement. See pages 118 to 119.
- The Chief Executive Officer provided regular updates on employee communication and engagement during Covid-19 lockdown periods. See page 118 for employee engagement activity.

Property portfolio, development and investment

- Provided with regular updates on asset management, leasing and investment activities.
- Received an update on planned and key refurbishment and redevelopment projects.
- Reviewed and approved the half- and full-year valuations of the Group's property portfolio.

Corporate reporting and performance monitoring

- Regularly reviewed the Group's financial structure and rolling forecasts and approved the 2020/21 budget.
- Approved the issuance of a green bond in March 2021 (see pages 115 and 123).
- Approved the extension of the revolving credit facility (see page 115).
- Recommended the payment of the final dividend paid to shareholders in August 2020. See page 74 for more information on dividends.
- Reviewed and approved the full and half-year results and trading statements.
- Conducted a review of the Company's viability over the next five-year period (see page 81).

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

BOARD ACTIVITIES 2020/21 CONTINUED

Risk management and internal control

- Reviewed the Group's principal risks and considered emerging risks which could impact the five-year plan.
- Requested verbal updates from the Chairman of the Audit Committee and, more recently, the Chairman of the Risk Committee on the key areas discussed. See pages 149 to 166 for work performed by both Committees.

Governance

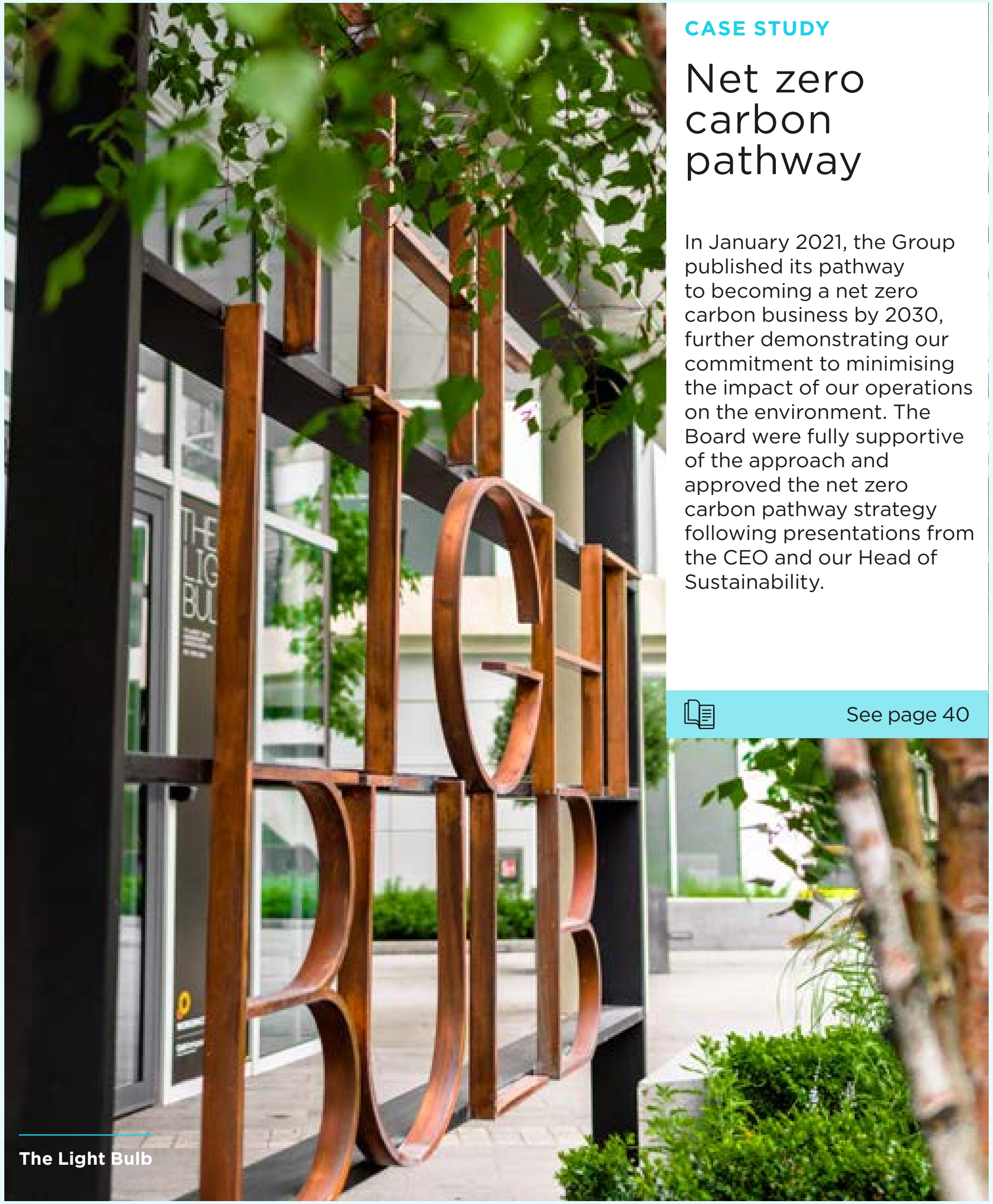
- Participated in an externally facilitated evaluation of the Board, its Committees and all Directors.
- Performed an annual review of the Committees' terms of reference.
- Reviewed the membership of the Board Committees. A number of changes were approved, which included the formation of a Risk Committee (see page 161 and changes to the membership of the Remuneration Committee (see page 169).
- Considered conflicts of interest and related parties.
- Reviewed regular governance updates from the Company Secretary.
- Discussed a legal update from the Group's legal advisers, Slaughter and May.

People and succession planning

- Approved changes to the Board with the appointment of two new Non-Executive Directors, Rosie Shapland and Lesley-Ann Nash. See page 140 for details of the recruitment process.

ESG

- Requested updates from the Head of Sustainability on the Group's ESG targets.
- Approved and published our strategy to become a net zero carbon real estate portfolio by 2030 (see www.workspace.co.uk/investors for our net zero carbon pathway).



The Light Bulb

CASE STUDY

Net zero carbon pathway

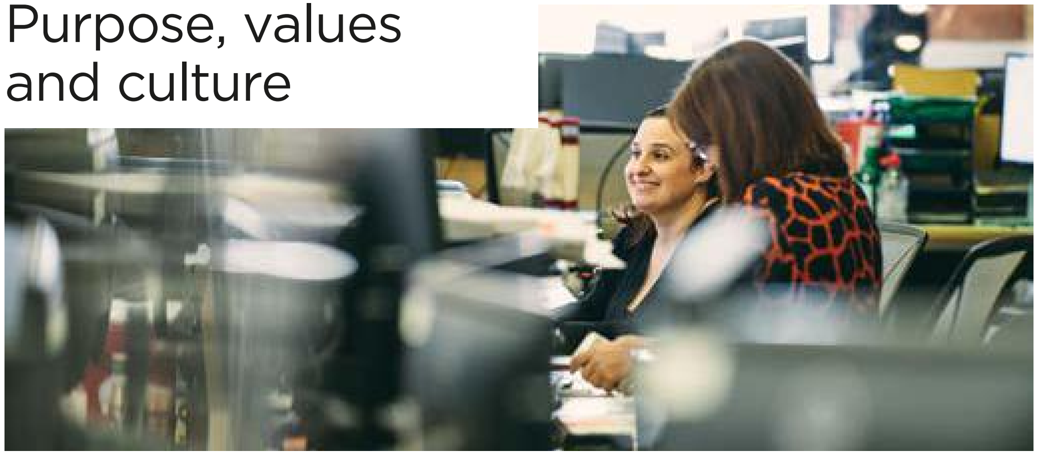
In January 2021, the Group published its pathway to becoming a net zero carbon business by 2030, further demonstrating our commitment to minimising the impact of our operations on the environment. The Board were fully supportive of the approach and approved the net zero carbon pathway strategy following presentations from the CEO and our Head of Sustainability.

See page 40

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

BOARD ACTIVITIES 2020/21 CONTINUED

Purpose, values and culture



STRATEGIC LINK

Customer-led growth
Doing the Right Thing

Our purpose, to give businesses the freedom to grow, provides the Group with an aspirational framework for making decisions, accomplishing tasks and interacting with stakeholders. Our purpose informs our values, which in turn set the cultural tone for the Group. Our culture is one of transparency. Workspace is committed to a free and open culture in dealings between its officers, employees, customers, suppliers and all other stakeholders. Our purpose, values and culture are described in detail throughout the Strategic Report.

The Board sets the Group's strategy and makes decisions through the lens of our purpose, values and culture. Our Section 172(1) Statement on pages 122 to 123 provides further detail on how the Board considers its stakeholders when making decisions. The Board also approves the Group's key policies and practices so that they underpin the Group's values and culture. The Executive Committee is responsible for communicating these policies throughout our business.

During the year under review, the Board has continued to assess how our purpose is articulated and understood by our customers, employees, investors and other stakeholders, and how our values and culture are embedded throughout our business. The Board monitors this by meeting with, and receiving regular reports from, executive management. These reports include information gleaned from our stakeholder engagement activities, including customer and employee surveys and feedback from staff interactions with customers and suppliers. The Board also maintains an active dialogue with shareholders and the Chairman regularly meets with employees in his role as the designated Director for employee engagement.

Values

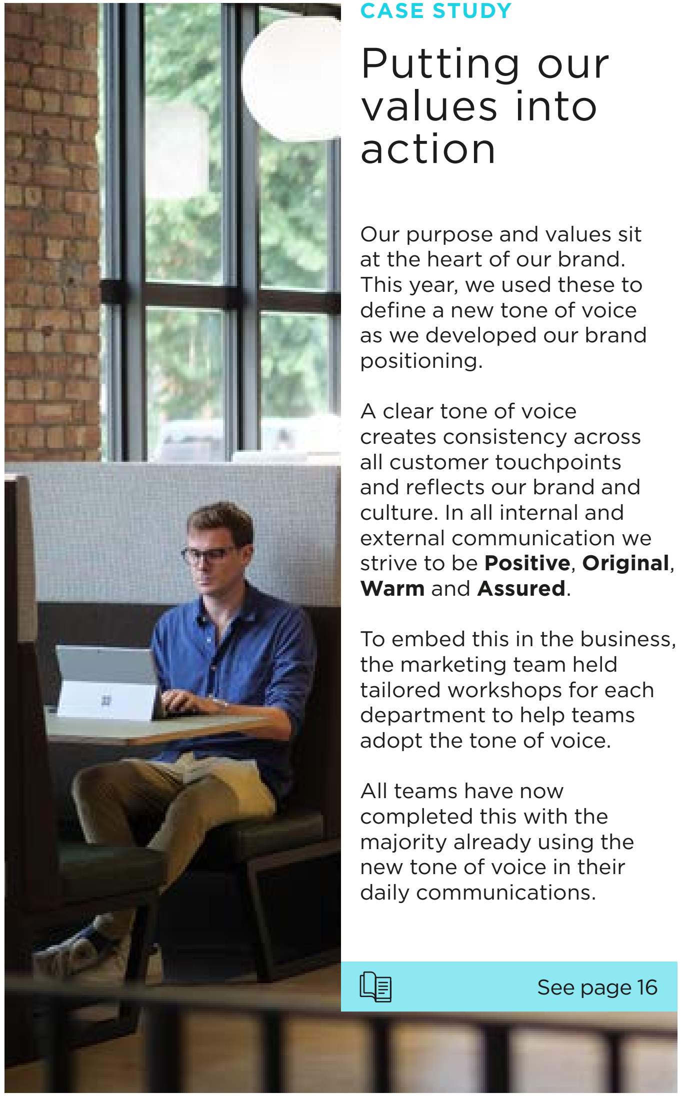
See page 17

Our stakeholder engagement programme

See page 20

Section 172(1) Statement

See page 122



CASE STUDY

Putting our values into action

Our purpose and values sit at the heart of our brand. This year, we used these to define a new tone of voice as we developed our brand positioning.

A clear tone of voice creates consistency across all customer touchpoints and reflects our brand and culture. In all internal and external communication we strive to be **Positive**, **Original**, **Warm** and **Assured**.

To embed this in the business, the marketing team held tailored workshops for each department to help teams adopt the tone of voice.

All teams have now completed this with the majority already using the new tone of voice in their daily communications.

See page 16

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

BOARD ACTIVITIES 2020/21 CONTINUED

Workforce policies and practices

STRATEGIC LINK
Doing the Right Thing

> "We expect all the Group's officers and employees to conduct themselves and our business with honesty and integrity."

Policies and procedures
The Board reviews and approves all key policies and practices which could impact our employees and influence their behaviours. Policies are reviewed to check that they are aligned with the Group's values. This includes the Group's Code of Conduct and its additional policies relating to anti-bribery and corruption, modern slavery, data protection and whistleblowing. Further information on the Group's key compliance policies can be found on pages 83 to 85.

Training and communication
All policies are available to employees and published on the Group's intranet, with some also included in the employee handbook. We also take the opportunity to remind employees of our policies and any changes made to them through our internal monthly publication, 'The Workspace Wrap'. In addition, all new employees are provided with training at induction sessions and we provide annual refresher training to all staff in data protection and other key areas.

Whistleblowing
The Board recognises that effective and honest communication is essential to maintain our business values, and we encourage our employees to speak out if they witness any wrongdoing. This is reinforced in our whistleblowing procedures and in our Code of Conduct, both of which can be found on our intranet. See page 85 for further details on our Whistleblowing Policy.

Workforce remuneration policies
The Remuneration Committee has oversight of wider remuneration practices and policies. A schedule of the remuneration arrangements applicable to the wider workforce was presented to the Committee during the year. The Committee was satisfied that the schedule was clear and comprehensive and that no further information was required at that time. As appropriate and by invitation, the CEO attends the Remuneration Committee, for example in May 2020, when he provided an overview of remuneration for members of the Executive Committee and their direct reports.

CASE STUDY

Employee inductions

This year our new Training Manager reviewed and improved our staff induction process. Inductions are now held on a monthly basis, with new employees undertaking a 2.5 day induction programme to introduce them to Workspace. The induction begins with an introduction to the Group's strategy by a member of the Executive Committee, followed by sessions on key areas such as customer journey, brand and marketing, sustainability, health and safety, security, IT, HR and compliance. The HR and compliance sessions are used in particular to inform employees of the Code of Conduct and the other policies and procedures that they are required to follow.

See page 45

Brickfields

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

BOARD ACTIVITIES 2020/21 CONTINUED

Financing

STRATEGIC LINK

Operational excellence
Doing the Right Thing

During the year, the Group has secured ongoing financing, by issuing its first green bond and extending its existing revolving credit facility.

Green bond

In March 2021, the Group issued its first green bond, in connection with our new Green Finance Framework, following strong demand from institutional investors.

The bond is a Sterling-denominated senior unsecured guaranteed green bond issuance in an aggregate principal amount of £300m and for a term of seven years, bearing interest at a rate of 2.25% per annum. The bonds were admitted to the Official List of the Irish Stock Exchange plc (trading as Euronext Dublin) and to trading on the Global Exchange Market of Euronext Dublin with a BBB rating. Following their issue, the Company's average debt facility maturity increased from 3.9 years to 4.9 years and its weighted average cost of debt reduced to 3.6%.

The proceeds will be used to finance or refinance eligible green refurbishment and redevelopment projects, reinforcing the key role Workspace plays in the employment-led regeneration of areas across London as a long-term owner of historic and character buildings in the capital. The Green Finance Framework has received a second party opinion from DNV, an external environmental, social and corporate governance research and analysis provider, confirming its alignment with the International Capital Market Association's Green Bond Principles. Both the Green Finance Framework and the second party opinion are available on the Company's website at: https://www.workspace.co.uk/investors/doing-the-right-thing/introduction

See pages 42, 78 and 123 for further information on the green bond.

RCF extension

During the year, the Company also agreed a one-year extension to its existing revolving credit facility, which was due to mature in June 2022.

Health and safety

STRATEGIC LINK

Doing the Right Thing

Health and safety has been a key area of focus for the Board throughout this year, particularly due to Covid-19. The wellbeing of our employees, customers and suppliers was the Board's highest priority and the Board has been in regular dialogue with the Executive Committee on the steps being taken to make our business centres safe. The Board was kept up to date with new Covid-19-related legislation and guidance affecting the Company at all times.

Our business centres

Risk assessments relating to the use of our head office and business centres by employees, customers, suppliers and other visitors were conducted, and are updated at regular intervals. Various policies and procedures have been put in place to ensure the health and safety of everyone using our business centres, including additional cleaning and provision of hand sanitiser, signage reminders about social distancing and hygiene, one-way systems and restrictions on the number of people permitted in enclosed spaces such as meeting rooms and lifts. These policies and procedures were, and continue to be, regularly reviewed and updated to take into account changing law and guidance.

Further information on the measures taken can be found on page 201.

Staff wellbeing

The Board is particularly conscious of the potential impact of Covid-19 and home working on the Group's employees. Our staff have been kept up to date with our Covid-19 policies and procedures through central communications and through their line managers, and several mental health-focused seminars have been offered to employees.

Further information on the Group's health and safety activities can be found on page 200.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED
BOARD ACTIVITIES 2020/21 CONTINUED

Shareholder engagement

STRATEGIC LINK
Operational excellence

292

During 2020/21, we engaged with 292 current and potential institutional investors

4

In 2020/21, we attended four virtual conferences

Engaging with shareholders

We have an active and constructive dialogue with our shareholders, and we regularly seek their views on major issues such as governance, strategy and financial structure. The Board receives a monthly investor relations report, recording movements in the shareholder register and a record of investor engagement, including any notable views expressed by investors in meetings with management. Our Investor Relations team manages a comprehensive calendar of engagement, including formal announcements, conference calls, roadshows, AGM and events, as well as ad hoc outreach contact with financial analysts, business media, investors, private client fund managers, retail investors and equity sales teams to make sure that our strategy and value creation are well understood by both shareholders and influencers.

The Government restrictions around movement as a result of Covid-19 impacted shareholder engagement during the year, with all meetings and conferences held virtually. Unfortunately we were unable to conduct investor tours during the year. Tours and site visits are a valuable tool for educating investors on our offer and showcasing our properties and we look forward to restarting these as soon as restrictions allow.

Investor meetings and conferences

During 2020/21, we engaged with 292 institutional investors via virtual meetings or calls. Investor meetings are attended by various senior executives, including the CEO, CFO, Chairman, Senior Independent Director and Executive Committee members, as well as the Head of Investor Relations and the Head of Finance.

We regularly participate in industry and property conferences globally. These were all held virtually in 2020/21 but we attended four investor conferences.

OUR INVESTOR RELATIONS CALENDAR OF EVENTS

	Calendar of events	Investor meetings	Investor tours
2020/21			
April	**Business update on impact of Covid-19 pandemic**	✓	–
	Investor engagement		
May	UK Property Conference	✓	–
June	**Full-year results**		
	Virtual investor roadshow	✓	–
July	**AGM & Q1 Business Update**		
August			
September	Half-year end		
	UK Property Conference	✓	
October			
November	**Half-year results**		
	Virtual investor roadshow	✓	–
December			
January	**Q3 Business Update**		
February			
March	Year-end		
	Fixed income investor roadshow for green bond	✓	–
	US and EMEA property conferences (virtual)	✓	–

Debt market

This year, we issued our first corporate green bond, raising £300m to finance and refinance eligible green projects. We conducted a fixed income investor roadshow ahead of the issuance and investors were very supportive with the bond oversubscribed. The CEO and CFO also regularly engage with our private placement investors, primarily based in the US, so that they remain fully informed of corporate developments and to discuss financial performance, future strategy and cash flows.

Annual General Meeting ('AGM')

The 2020 AGM was held on 9 July 2020 as a closed meeting at Canterbury Court, Kennington Park, 1-3 Brixton Road, London SW9 6DE. All resolutions passed with over 90% votes in favour.

Our 2021 AGM will be held on Thursday 22 July 2021 at Edinburgh House, 170 Kennington Lane, London, SE11 5DP. Safeguarding the health and safety of our employees, shareholders and guests is a priority.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

BOARD ACTIVITIES 2020/21 CONTINUED

Shareholder engagement continued

At the time of publication of this report, we are expecting restrictions on gatherings to be lifted by the date of the AGM and therefore we intend to hold the AGM in person as we would in normal years. Any changes to these arrangements will be announced via the Regulatory News Service. We will make sure all necessary social distancing measures are taken to enable the AGM to proceed safely and, as a result, we will be limiting attendance to the Company's shareholders, members of the Board and other necessary attendees only. With health and safety in mind, we would encourage shareholders to consider voting by proxy rather than attending in person if they feel able to do so.

Shareholder engagement remains a priority for Workspace. As we did last year, we encourage all our shareholders to submit questions for the Board in advance of the AGM, and answers will be published on the Company's website. Further details can be found in the AGM Notice.

Annual Report

Our Annual Report is available to all shareholders. Through our electronic communication initiatives, we aim to make our Annual Report available to a universal audience. Shareholders can opt to receive a hard copy in the post or PDF copies via email or from our website. Additionally, if a shareholder holds their shares via a nominee account and encounters difficulty receiving our Annual Report via their nominee provider, they are welcome to contact the Company Secretary to request a copy.

Corporate website

We have upgraded our website during the year, including the investor site. The web address is www.workspace.co.uk/investors. It contains our Annual Reports, half- and full-year results presentations and our financial and dividend calendar for the upcoming year. Our website also outlines our company strategy, business model, property portfolio and has a detailed section covering our ESG activities.

Senior Independent Director

If shareholders have any concerns, which the normal channels of communication to the CEO, CFO or Chairman have failed to resolve, or for which contact is inappropriate, then our Senior Independent Director, Chris Girling, is available to address them.

Other shareholder contacts

Contact details for our Investor Relations team, Company Secretary and Company Registrars are available on page 243 of this report as well as on our website.

Will Abbott

CASE STUDY

Capital Markets Day

Just after the year end, we held a virtual capital markets day to provide investors and analysts with a deep dive into our marketing capabilities and new brand proposition.

Will Abbott, Chief Customer Officer, took centre stage to unveil the brand proposition, Home to London's Brightest Businesses, before outlining Workspace's unique strength in marketing and the value of its in-house operating platform.

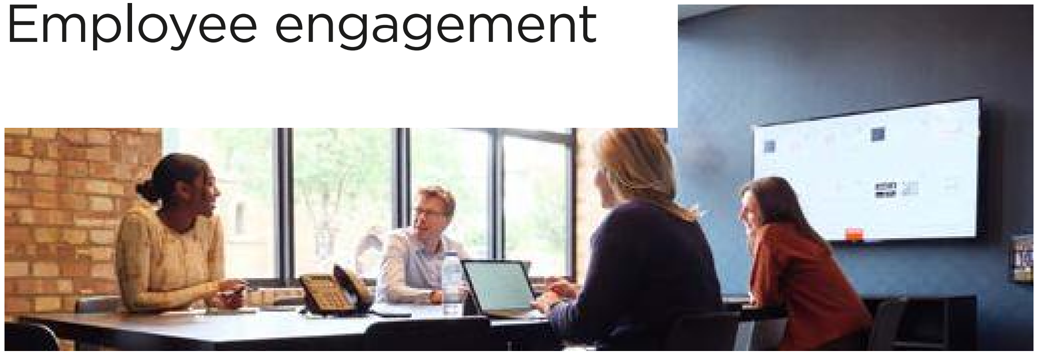
Dearbhla Mac Fadden, appointed Head of Marketing during the year, then presented the new brand advertising campaign, set to go live in May 2021.

Investor feedback was positive, with attendees commenting that the event showcased Workspace's unique position in the market.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

BOARD ACTIVITIES 2020/21 CONTINUED

Employee engagement



STRATEGIC LINK
Doing the Right Thing

Throughout the year the Board meets and receives feedback from a wide range of employees across the business. The Board and Executive Committee review and approve key policies, practices and strategic decisions, making sure that they align to the Group's key values and purpose.

This year efforts were made to increase open engagement between employees and the Board.

New Chairman

Following the appointment of Stephen Hubbard as the new Chairman, an internal communications plan was developed to help introduce Stephen to staff and position him as the Board's employee engagement representative.

The objective was to clearly differentiate his role from that of the CEO's. The communications also aimed to provide greater transparency to staff around the Chairman and Board's corporate governance role in the Group's long-term sustainable success, including supporting our purpose, values and strategy.

A series of email and intranet communications outlined Stephen's priorities, with emphasis on sustainability and Group culture, and thanked employees for steering the business through the Covid-19 crisis.

The Board's employee engagement programme was launched with Stephen carrying out formal and informal meetings with staff at head office and other business centres. Shortly afterwards, the Chairman's quarterly breakfast engagement sessions started in September 2020. See page 119 for further details.

New Non-Executive Directors

Induction sessions were organised for new Non-Executive Directors, involving meetings with a range of senior employees and external advisers to build a solid understanding of the Group. Due to Covid-19 restrictions, tours of our major business centres have been postponed but will take place later in 2021.

Our two new Non-Executive Directors, Rosie Shapland and Lesley-Ann Nash, were introduced via the monthly staff newsletter, The Wrap, in the lighter, human-interest Q&A section, asking them questions about their hobbies and interests outside of work.

Workspace Winners Awards

This year we launched the Workspace Winners employee awards to celebrate our values and culture in action, and to recognise employees who have excelled or had a positive impact on the business. The creation of the four quarterly awards received strong support from the Board. The judging panel comprises a Board member and CEO Graham Clemett, alongside six members of staff from across the business, who are responsible for choosing winners whose actions align to our values.

Town hall events

With many staff working from home during lockdown, we broadcast three live-streamed employee events to help bring everyone together and share business updates from senior management. Board members Graham Clemett, CEO, and Dave Benson, CFO, hosted a Teams update to run staff through highlights from the half-year financial results. Two further events included updates from Graham and other members of the Executive Committee. Employees were able to submit questions anonymously, which Graham answered live. A recording of each event was shared on the Group's intranet.

70%

of employees logged into the virtual employee updates

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

BOARD ACTIVITIES 2020/21 CONTINUED

Employee engagement continued

Stephen Hubbard hosts an engagement session at The Frames

CASE STUDY

Chairman’s breakfast sessions

Employees were invited to put themselves forward for monthly breakfast sessions with the Chairman, Stephen Hubbard, to discuss the Workspace business. Hosted in small groups across a variety of business centres, the engagement events were positioned as a forum for employees to provide candid feedback or suggest ideas:

- Each session involves a different and diverse group of eight employees
- Chatham House Rules apply, meaning notes are taken but comments remain anonymous
- Groups were chosen to represent a diverse cross section of the Company from both centre and head office staff

The discussions proved especially useful in gauging employee sentiment regarding working from home, effectiveness of social distancing measures, how our Covid-19 customer support has been received and views on the competitor landscape.

Ideas discussed are fed back to the Board and ultimately help inform improvements to the business.

See page 22

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

BOARD ACTIVITIES 2020/21 CONTINUED

Business relationships

STRATEGIC LINK

Customer-led growth
Operational excellence
Doing the Right Thing

Engaging with customers, suppliers and partners

Maintaining positive relationships with our customers, suppliers and partners is essential in our ongoing success.

The Board recognises the contribution that these businesses make to our ongoing operation.

Effective corporate governance principles rely on open, transparent and productive stakeholder engagement, and we work hard to incorporate stakeholders' views into our decision-making process.

The Board engages with key stakeholders on a regular basis to identify strategic actions, for example approving the rent discount offered to customers during the pandemic.

Our customer-facing teams provide ongoing daily feedback from customers, from the initial viewing through their entire relationship with us.

We have numerous suppliers and partners across development, facilities management and finance, and we work hard to ensure our values are aligned and that we are working toward a common goal.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

BOARD ACTIVITIES 2020/21 CONTINUED

Community and environment engagement

STRATEGIC LINK

Doing the Right Thing

Environment engagement

The Board has supported a variety of impactful environmental initiatives throughout the year and has received presentations from the Sustainability team on a range of topics including: net zero carbon target, science-based targets, Task Force on Climate-related Financial Disclosure (TCFD), customer engagement, Energy Performance Certifications (EPCs) and ESG objectives and targets.

This year, the Board also endorsed the decision to divide the Doing the Right Thing Committee into two separate groups: the Charity & Social Committee, which will focus on fundraising, volunteering and social activities, and the ESG Committee, which will focus on the environmental, social and governance aspects of our business and supply chain.

Pathway to net zero carbon emissions by 2030

The Board recognises that the building industry significantly contributes to the global carbon footprint. Following a review of Workspace's business and value chain emissions, the Board strongly endorsed our pathway document, outlining how we will become a net zero carbon business by 2030. This marks a significant acceleration of our commitments previously made as part of the Better Buildings Partnership (BBP) Climate Change Commitment to deliver a net zero carbon real estate business by 2050.

The green bond

The Board approved the issue of our first green bond, to raise £300m of debt to finance/refinance green refurbishment projects, such as Brickfields in Hoxton.

Community and social impact

The Board receives updates from the Sustainability team on our community and social impact work, including our InspiresMe programme supporting disadvantaged young people in London. This year we organised virtual CV and interview workshops with charities XLP and Inspire.

The Board is also kept appraised of fundraising activities, including for our charity partner Great Ormond Street Hospital and Kitchen Social to fund school meals for children.

The Board has endorsed our plans to bring all third-party contractors onto the Living Wage by April 2022.

All new Board members now receive ESG inductions from our Sustainability team.

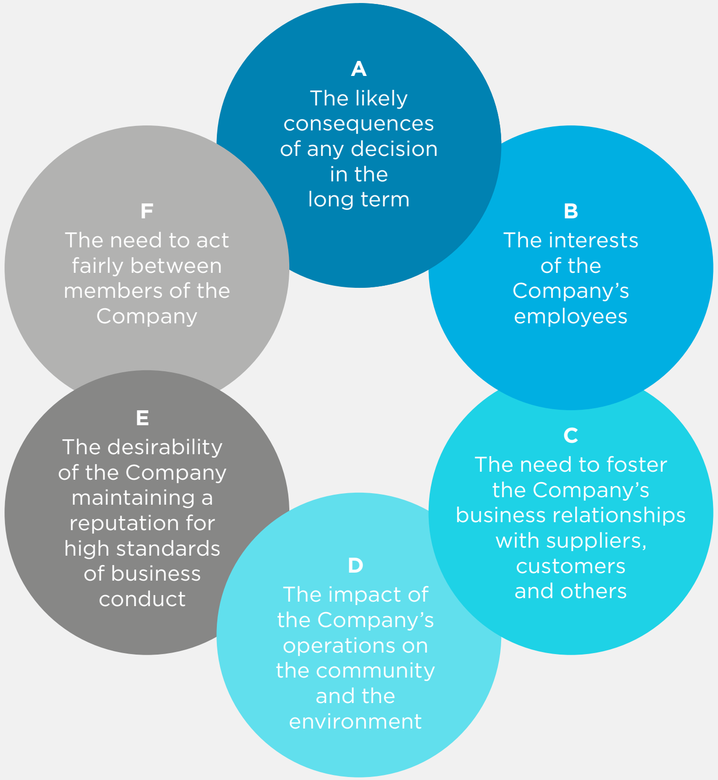
£300m

green bond to finance/refinance green refurbishment projects

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Section 172(1) Statement

The Board of Workspace Group PLC confirms that during the year it has acted in good faith to promote the long-term success of the Company (and its Group) for the benefit of its shareholders, while having due regard to the matters set out in Section 172(1) of the Companies Act 2006, being:



The Board has identified the Company's key stakeholders to be its shareholders, employees, customers, suppliers, debt financiers and local communities, and also considers the impact of operations on the environment to be of key importance.

Further detail on stakeholder engagement and Section 172(1) matters can be found throughout our Annual Report:

	Relevant Disclosures	Page
A. The likely consequences of any decision in the long term	Our Purpose	**page 113**
	Our business model	**pages 11 to 19**
	Our strategy and approach to market trends	**pages 26 to 33**
	Dividend	**page 2**
B. The interests of the Company's employees	Employee engagement	**page 118**
	Looking after our people	**pages 45 to 49**
	Diversity and inclusion	**pages 47 and 145**
C. The need to foster the Company's business relationships with suppliers, customers and others	Customer support	**page 50**
	Supplier engagement	**page 50**
	Anti-bribery & corruption and modern slavery	**page 84**
D. The impact of the Company's operations on the community and the environment	Supporting our communities	**pages 51 to 56**
	Sustainability and TCFD	**pages 86 to 98**
	Net zero carbon pathway	**page 40**
	Green financing	**page 42**
E. The desirability of the Company maintaining a reputation for high standards of business conduct	Compliance policies	**pages 84 to 85**
	Culture and values	**page 113**
	Whistleblowing	**page 85**
	Internal controls	**page 164**
F. The need to act fairly as between members of the Company	Shareholder engagement	**page 116**
	AGM	**page 201**

How the Board considers Section 172(1) matters

The Board is fully aware of the need to consider Section 172(1) when making decisions. Some of the key methods used by the Board to achieve this include:

- A Board strategy day is held each year where the Board discusses long-term strategy (see page 111).
- The Board regularly considers the Group's purpose, values and policies related to business conduct (see pages 113 and 114).
- A stakeholder impact analysis, setting out the expected impacts of the proposed decision on different stakeholder groups and how any negative impacts might be mitigated, is conducted and discussed by the Board when key strategic decisions are proposed.
- A Board Risk Committee was established this year to oversee the Company's risk management framework and the actions that are in place (or will be put in place) to mitigate risk in the short, medium and long term (see page 161).
- The Board considers ESG matters (see page 121).
- The Board directly engages with employees and investors, and receives feedback from the CEO and CFO on meetings with investors and analysts, and regular reports from the Executive Committee and external advisers on engagement with other stakeholders such as customers, suppliers and the wider community (see pages 116 to 121).
- Stephen Hubbard, Chairman of the Board, holds focus groups with employees in his role as the designated Non-Executive Director for employee engagement (see page 119).

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

SECTION 172(1) STATEMENT CONTINUED

Key decisions in 2020/21

Some of the key decisions considered by the Board in 2020/21, and how the Board had regard to Section 172(1) matters when discussing them, are outlined to the right.

In addition, this year the Board has in particular had regard to Section 172(1) matters in its response to Covid-19. In addition to supporting our customers with a rent reduction, the Group has been focusing on implementing measures to protect its strong financial position, supporting its employees while working from home and on their return to work, offering wellbeing events and resources to its employees and customers, and making sure our business centres are a safe and hygienic environment for our customers, employees, suppliers and visitors.

Read more about our response to Covid-19 on pages 16, 45, 47, 50, 63, 115 and 201.

Supporting customers with a 50% absolute rent reduction

The Government restrictions on movement put in place in March 2020 as a result of the Covid-19 pandemic had an immediate and material effect on the businesses of many of the Group's customers. The Group began offering its business centre customers the opportunity to defer a proportion of their rent payments on a case-by-case basis, but it became increasingly apparent that many customers were experiencing significant reductions in income and cash flow. Guided by its commitment to Doing the Right Thing, in April 2020 the Group decided to go further and offer a rent reduction of 50% to customers in business centres affected by the Government restrictions, to apply from the start of lockdown on 24 March until 30 June 2020. The Board received detailed information from the Executive Committee supporting this decision. It was clear that sharing the burden of a challenging and uncertain period would have a positive impact on fostering the Group's relationships with customers in the immediate term. The short-term negative impact on revenue, and therefore potentially to shareholder returns, as a result of the discount was also considered, but the Board balanced this against the longer-term customer retention and loyalty this decision was expected to generate. It was concluded that it would ultimately be to the benefit of the Group's success in the long-term and the long term interests of its shareholders as well as to the benefit of its customers. See page 50 for further information on the rent reduction.

Publishing our net zero carbon pathway

In January 2021, the Group published its net zero carbon pathway, setting out its commitment to becoming a net zero carbon business by 2030 through reducing the Group's operational and embodied carbon emissions in alignment with the goal of limiting global warming to 1.5°C. In making its decision to approve the publication, the Board received presentations from executive management and the Group's Head of Sustainability, and discussed in detail the likely impact of the Company's commitment to its net zero carbon pathway, particularly in the long term. As well as the clear benefits to the environment, the Board noted that ESG matters have become increasingly important to all the Group's stakeholders. In particular, the Group's customers are increasingly interested in energy saving and recycling, its employees want reassurance that they are working for a responsible business and its investors seek greater transparency on climate-related risks and mitigations. The Board concluded that the net zero carbon pathway would be to the clear benefit of the Group and its stakeholders. See page 40 for further information on our net zero carbon pathway.

Launching our first green bond

In March 2021, the Board approved the launch of the Company's first green bond, in connection with the Group's new Green Finance Framework and following strong institutional demand. The Board reviewed and discussed in detail information from executive management and external advisers. In considering the impact it would have on the Group's stakeholders, the Board particularly noted the positive impact the green bond was expected to have on the Group's commitment to the environment and local communities. The proceeds will be used to finance or refinance eligible green refurbishment and redevelopment projects (in line with its Doing the Right Thing strategy and its net zero carbon pathway), reinforcing the key role Workspace plays in the employment-led regeneration of areas across London as a long-term owner of historic and character buildings in the capital. The Board also considered that the green bond would be in the interests of other stakeholder groups. The issue of the bond improves the Company's balance sheet and reduces its average cost of debt, thereby strengthening the Company's financial position to the ultimate benefit of its investors, employees, customers and suppliers. See pages 42 and 115 for further information on our green bond and Green Finance Framework.

DIVISION OF RESPONSIBILITIES

There is a clear division between executive and non-executive responsibilities. This provides a framework of accountability and oversight.

Carmelina Carfora
Company Secretary

DIVISION OF RESPONSIBILITIES CONTINUED

Overview

Our governance framework

Our governance framework supports the development of good governance practices across the Group. The Board has overall responsibility for governance within the Group.

The Board delegates certain of its responsibilities to its Audit, Risk, Nominations and Remuneration Committees. Further details of the work, composition, role and responsibilities of the Audit, Risk, Nominations and Remuneration Committees are provided in separate reports on pages 136 and 197. Each of the Committees has Terms of Reference which were reviewed by the Committees and the Board during the year. These are available on the Group's website at www.workspace.co.uk/investors/about-us/governance/committee-terms-of-reference. The performance of each of the Committees is assessed annually as part of the evaluation process described later in this report.

The Board delegates all operational matters to the Executive Committee, except for matters specifically reserved to the Board. The schedule of matters reserved for the Board is reviewed at least once a year and can be accessed on the Company website at www.workspace.co.uk/investors/about-us/governance/committee-terms-of-reference. Further information on the relationship between the Board and the Executive Committee, and the matters which are reserved to the Board, can be found on page 131.

Complying with the Code Principles

PRINCIPLE F
The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

Read about the role of our Chair on page 126.

PRINCIPLE G
The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

Read about our Board composition on pages 106 to 108.
Read about the independence of our Non-Executive Directors on page 129.
Read about the division of responsibilities between the Board and Executive Committee on pages 126 to 127 and 131.

PRINCIPLE H
Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

Read about the role of our Non-Executive Directors on page 129.
Read about the time commitment required of Non-Executive Directors on page 129.

PRINCIPLE I
The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

Read about the Company Secretary's role in supporting the Board on page 127.
Read about information flow and support to the Board on pages 134 to 135.
Read about training and development for the Board on page 135.

DIVISION OF RESPONSIBILITIES CONTINUED

Board roles and responsibilities

The roles and responsibilities of the Chairman and Chief Executive Officer are separate, with a clear division of responsibilities between them. The Chairman is responsible for the leadership of the Board, and the Chief Executive Officer manages and leads the business. In addition, the role specifications described on the right set out the clear division of responsibility between executive and non-executive members of the Board.

Non-Executive

CHAIRMAN:
STEPHEN HUBBARD
- Primarily responsible for the operation, leadership and overall effectiveness of the Board.
- Sets agendas which support efficient and balanced decision-making.
- Ensures that the Board plays a full and constructive part in the development of the Group's strategy and that there is sufficient time for boardroom discussion.
- Facilitates the effective contribution of the Non-Executive Directors and monitors that all Directors receive accurate, timely and clear information.
- With the Nominations Committee, monitors that the Board remains appropriately balanced to deliver the Group's strategic objectives and to meet the requirements of good corporate governance.
- Promotes effective engagement with the Group's shareholders and other key stakeholders.
- Oversees the annual Board evaluation and identifies any actions required.
- Leads initiatives to assess the culture across Workspace and ensures that the Board sets the correct tone.
- Reviews, with the Board, diversity and inclusion initiatives.

The Chairman is not involved in an executive capacity with any of the Group's activities.

SENIOR INDEPENDENT DIRECTOR:
CHRIS GIRLING
- Being available and providing an alternative communication channel for shareholders and other stakeholders, if required, and being available to meet with investors on request.
- Provides a sounding board for the Chair.
- If necessary, deputises for the Chairman in his absence and counsels all Board colleagues.
- Acts as an intermediary for Non-Executive Directors when necessary.
- At least annually leads a meeting of the Non-Executive Directors without the Chairman present, to appraise the Chairman's performance and address any other matters which the Directors might wish to raise. He then conveys the outcome of these discussions to the Chairman.

INDEPENDENT NON-EXECUTIVE DIRECTORS:
CHRIS GIRLING, DAMON RUSSELL, SUZI WILLIAMS, MARIA MOLONEY, ROSIE SHAPLAND AND LESLEY-ANN NASH
- Constructively challenge and assist in the development of strategy.
- Scrutinise, measure and review the performance of management.
- Promote the highest standards of integrity and corporate governance.
- Review the succession plans for the Board and key members of senior management.
- Determine appropriate levels of remuneration for the senior executives.
- Review the integrity of financial reporting and the systems of risk management and financial controls.
- Serve on or chair various Committees of the Board.

DESIGNATED NON-EXECUTIVE DIRECTOR FOR EMPLOYEE ENGAGEMENT:
STEPHEN HUBBARD
- Represents the Board in discussions with employees.
- Develops, implements and provides feedback on employee engagement initiatives in conjunction with management.
- Provides an employee voice in the boardroom.
- Communicates to employees the outcomes and developments made by the Board on specific matters.

DIVISION OF RESPONSIBILITIES CONTINUED

BOARD ROLES AND RESPONSIBILITIES CONTINUED

Executive

CHIEF EXECUTIVE OFFICER:
GRAHAM CLEMETT

- Responsible for leading and managing the business and is accountable to the Board for the financial and operational performance of the Group, and the execution of the strategy set by the Board.
- Leads the Group Executive Committee in the day-to-day running of the Group's business in order to execute objectives successfully.
- Regularly reviews the Group's organisational structure and recommends changes as appropriate.
- Sets overall policies for recruitment, management, staff development and succession planning and provides updates to the Remuneration Committee.
- Oversight of employee initiatives, diversity and inclusion, and employee wellbeing.
- Together with the Chairman and CFO, represents the Company to its customers, suppliers, shareholders and other stakeholders.
- Leads on the Group's ESG strategy and the net zero carbon pathway.
- Corporate communications and the IR strategy.

CHIEF FINANCIAL OFFICER:
DAVE BENSON

- Supports the CEO in developing the strategic direction of the Group and works closely with the CEO and Board to develop and implement the Group's strategy.
- Provides financial leadership to the Group and aligns the Group's business and financial strategy and management of the Company's capital structure.
- Responsible for financial planning and analysis, treasury and tax.
- Leads and monitors the effectiveness of the key finance functions and appropriate development of the finance team.
- Responsible for the IT function and co-ordinates and delivers IT projects to support the growth and strategic priorities of the Group.

COMPANY SECRETARY:
CARMELINA CARFORA

- Secretary to the Board and its Committees.
- Compliance with Board procedures and supporting the Chairman.
- Makes sure the Board has high-quality information, adequate time and the appropriate resources.
- Considers Board effectiveness in conjunction with the Chair.
- Facilitates the Directors' induction programmes and assists with professional development.
- Provides advice, services and support to all Directors as and when required.
- Responsible for organising the Annual General Meeting.

DIVISION OF RESPONSIBILITIES CONTINUED

Our governance framework

Board of Directors

The role of the Board is to promote the long-term success of Workspace by setting a clear purpose and the Group's strategy for delivering the long-term value to our shareholders and other stakeholders. It sets the governance and values of the Group and has ultimate responsibility for its management, direction and performance. The effective working relationship between the Board and the Executive Committee facilitates both support and challenge where required, with Board awareness enhanced through regular dialogue, including reporting from key individuals and the provision of minutes from all Board Committee and Executive Committee meetings.

THE BOARD DELEGATES CERTAIN MATTERS TO ITS FOUR PRINCIPAL COMMITTEES

Nominations Committee

CHAIRED BY
Stephen Hubbard

MEMBERSHIP
7 Seven Independent Non-Executive Directors

KEY RESPONSIBILITIES:
- Reviews succession plans for the Board and its Committees and considers its structure, size, composition and diversity.
- Supports the development of an inclusive and diverse talent pipeline, and reviews supporting initiatives to increase diversity.
- Monitors that the Board has the appropriate knowledge, skills and experience to operate effectively and deliver our strategy.
- Recommends to the Board the appointment of a Non-Executive Director for employee engagement.

Nominations Committee – pages 136 to 148

Audit Committee

CHAIRED BY
Chris Girling

MEMBERSHIP
6 Six Independent Non-Executive Directors

KEY RESPONSIBILITIES:
- Oversees the Group's financial reporting.
- Maintains and manages the relationship with the External Auditor, including monitoring their performance and reappointment.
- Reviews and monitors financial risks and risks related to financial IT systems.

Audit Committee – pages 149 to 160

Risk Committee

CHAIRED BY
Damon Russell

MEMBERSHIP
4 Four Independent Non-Executive Directors

KEY RESPONSIBILITIES:
- Oversees the risk management framework.
- Oversees all risks except financial risks and risks relating to financial IT systems.
- Advises the Board on risk appetite, tolerance and strategy.

Risk Committee – pages 161 to 166

Remuneration Committee

CHAIRED BY
Suzi Williams

MEMBERSHIP
4 Four Independent Non-Executive Directors

KEY RESPONSIBILITIES:
- Determines the Remuneration Policy for Executive Board Directors and considers whether there is a clear link between performance and remuneration.
- Reviews workforce remuneration and related policies.
- Develops remuneration policies and practices to support clarity, simplicity, transparency and alignment with culture.

Remuneration Committee – pages 167 to 197

Executive Committee

See page 132

KEY RESPONSIBILITIES:
The Executive Committee is responsible for the execution of the Company's strategy and the day-to-day management of the business.

Disclosure Committee

KEY RESPONSIBILITIES:
Identifies and controls inside information or information which could become inside information and determines how and when that information is disclosed in accordance with applicable legal and regulatory requirements.

Supporting Committees

The Executive Committee operates a number of supporting committees that provide oversight on key business activities and risks.

The Terms of Reference of each Board Committee are available on the Company's website at www.workspace.co.uk/investors/about-us/governance/committee-terms-of-reference

DIVISION OF RESPONSIBILITIES CONTINUED

How we govern

Non-Executive Directors

The Non-Executive Directors have a broad mix of business skills, knowledge and experience acquired across different business sectors. This allows them to provide independent and external perspectives to Board discussions.

The Non-Executive Directors provide constructive challenge to the Executives, help to develop proposals on strategy and monitor performance.

Independence of Non-Executive Directors

During the year, the Board considered the independence of all the Non-Executive Directors, save for the Chairman who was deemed independent by the Board at the date of his appointment. The Board has reconfirmed that our Non-Executive Directors remain independent from executive management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. This is protected through a number of mechanisms including:

- Meetings between the Chairman and the Non-Executive Directors, individually and collectively, without the Executive Directors present. These are typically held before each Board meeting and used to discuss areas relevant to the operation of the Board and the Group in a more private setting. This year there were five of these meetings held.
- Separate and clearly defined roles for the Chairman, as head of the Board, and the Chief Executive Officer, as head of executive management, as set out on pages 126 to 127.

The Nominations Committee oversees the overall independence of Board membership and the continuing independence of individual Directors, with the Board deemed independent in line with the recommendations of the Code. Further details of this supporting evaluation can be found on page 143.

Time commitment and external appointments

The expected time commitment of the Chairman and Non-Executive Directors is agreed and set out in writing in the letter of appointment to the position, at which time the existing external demands on an individual's time are assessed to confirm their capacity to take on the role. This was a key consideration this year in the recommendation to appoint Rosie Shapland and Lesley-Ann Nash to the Board. Further appointments which could impair the ability to meet these arrangements can only be accepted following approval of the Board.

When assessing additional directorships, the Board considers the number of public directorships held by the individual already and their expected time commitment for those roles (see biographies on pages 106 to 109). The Board takes into account guidance published by institutional investors and proxy advisers as to the maximum number of public appointments which can be managed efficiently.

Executive Directors may accept a non-executive role at another company with the approval of the Board.

Graham Clemett is the Senior Independent Non-Executive Director and Chairman of the Audit Committee.

The Board is satisfied that each of the Non-Executive Directors can devote sufficient time to the Company's business to discharge their responsibilities effectively. They offer strategic guidance to Board discussions and independent decision-making to their Board and Committee duties (see the table on page 105 for Board meeting attendance).

The Nominations Committee keeps under review the tenure of all Directors, Board diversity and the effectiveness of individual Directors.

The biographies of all of the members of the Board, outlining their experience, can be found on pages 106 to 109.

DIVISION OF RESPONSIBILITIES CONTINUED

HOW WE GOVERN CONTINUED

Non-Executive Directors continued

Stephen Hubbard

As in previous years, the independence of Stephen Hubbard was specifically considered during the year. Stephen was previously Chairman of CBRE UK, who are the Group's external independent valuers. Stephen retired from CBRE UK in December 2019.

Furthermore, while he remained as Chairman of CBRE UK, he had no involvement in any discussions or decisions regarding the appointment of CBRE or the fees paid to them.

CBRE have also confirmed that Stephen had no involvement in relation to the conduct of the valuations that they carried out, in the year, on behalf of the Company. Their appointment is by the Directors of the Company, acting through the Executives, and any communication is entirely with them. CBRE have stated that Stephen had no access to the data or calculations, was not involved in the process and they did not discuss the valuations with him.

Given the measures stated above and Stephen's retirement from CBRE UK, the Board is satisfied and continues to conclude that Stephen remains independent both in character and in judgement, including in relation to his responsibilities as Chairman of the Company.

In addition, in July 2020, Stephen stepped down from the Audit Committee on his appointment as Chairman of the Company.

Re-election and election of Directors

In accordance with the Code, all the Directors will submit themselves for election or re-election at the AGM on 22 July 2021, except for Maria Moloney who will be stepping down from the Board as a Non-Executive Director and will not seek re-election. Following the external Board evaluation review, detailed on page 146, and taking into account the Directors' skills and experience (set out on pages 106 to 109, the Board believes that the election and re-election of the Directors is in the best interests of the Company.

The explanatory notes in the Notice of Meeting for the AGM state the reasons why the Board believes that the Directors proposed for re-election at the AGM should be reappointed.

Rosie Shapland and Lesley-Ann Nash will be seeking election as Directors following their appointments to the Board on 6 November 2020 and 1 January 2021, respectively. Rosie and Lesley-Ann are each submitting themselves for election by shareholders at the AGM in July 2021 as this will be the first AGM since they were appointed as Directors.

The Board is satisfied that both Rosie and Lesley-Ann are independent in accordance with the Code and that there are no circumstances which are likely to impair or could appear to impair their independence as a Non-Executive Directors. The Nominations Committee of the Group has considered their commitments and has concluded that they have sufficient time to meet their Board responsibilities.

Rosie will assume the role of Chair of the Audit Committee at the conclusion of the AGM in July 2021. The Nominations Committee has recommended that Rosie has the necessary level of relevant financial and accounting experience required by the provisions of the UK Corporate Governance Code to perform this role. Rosie is a Chartered Accountant and a former audit partner at PwC with over 30 years of audit experience across multiple sectors. Rosie is also the Chair of the Audit Committee for both PayPoint plc and Foxtons Group plc.

Mr Clemett has a service contract and details can be found on page 196.

Mr Benson has a service contract and details can be found on page 196.

None of the Non-Executive Directors have service contracts and are instead given letters of appointment. The appointments of Chris Girling, Maria Moloney, Damon Russell, Suzi Williams, Rosie Shapland and Lesley-Ann Nash may be terminated by either the Company or any one of them giving three months' notice in writing. The appointment of Stephen Hubbard may be terminated by either him or the Group giving six months' notice in writing.

The terms and conditions of appointment of Non-Executive Directors, including the expected time commitment, are available for inspection at the Company's registered office.

DIVISION OF RESPONSIBILITIES CONTINUED

HOW WE GOVERN CONTINUED

The relationship between the Board and the Executive Committee

THE BOARD
The Board is responsible for contemplating market trends and their impact on our strategy, assessing appropriate levels of risk and setting the objectives for the business, including the approach to ESG matters. It delegates the delivery of the strategy to the Executive Committee.

EXECUTIVE COMMITTEE
The Executive Committee is responsible for managing the business, day-to-day operational decisions and delivering the strategy set by the Board.

The Board considers there to be an appropriate balance between Executive and Non-Executive Directors required to lead the business and safeguard the interests of shareholders.

As at 31 March 2021, the Board comprises the Chairman, six Non-Executive Directors (all of whom are independent) and two Executive Directors. This meets the requirement of the Code for at least half the Board, excluding the Chairman, to be independent Non-Executive Directors.

Executive Committee – managing the business
The Executive Committee, which is chaired by Graham Clemett, supports the Board by providing executive management of Workspace within the strategy approved by the Board.

The Executive Committee is accountable to the Board for implementation of the agreed strategy. The Executive Committee monitors customer and market trends, assesses the implications and benefits of asset management initiatives and oversees the effectiveness of the governance framework.

The Board delegates all operational matters to the Executive Committee except for the matters reserved for the Board.

MATTERS RESERVED FOR THE BOARD

The Board has a formal schedule of matters reserved for its approval which includes:

- review and approval of the Group's strategy, business objectives and annual budgets
- approval of the Group's dividend policy and the payment and recommendation of interim and final dividends
- approval of Full Year and Half Year Results, including the review and approval of the going concern basis of accounting and the viability assessment
- health and safety performance across the Group
- on the advice of the Nominations Committee, reviewing succession plans for the Board and senior management team;
- approval of significant funding decisions
- review and approval of corporate transactions
- on the advice of the Risk Committee, the operation and maintenance of the Group's systems of risk management, internal control and corporate governance
- setting the Group's purpose, values and standards

EXECUTIVE COMMITTEE ACTIVITIES IN 2020/21

- Developed the Group strategy and budget for approval by the Board.
- Discussed financing proposals such as the issuance of a green bond in March 2021.
- Approved the next zero carbon pathway strategy.
- Monitoring of operational and financial results against plans and budgets.
- Considered regulatory developments.
- Reviewed and approved capital expenditure within the authorities delegated by the Board.
- Collectively responsible for the day-to-day running of the business.
- Developed leadership skills and the future talent of the business so that strong succession plans are in place as the Group develops.
- Analysed and reviewed initiatives of particular interest to the Group and presenting these to the Board as appropriate.
- Focused on the effectiveness of risk management and control procedures.
- Reviewed, monitored and implemented the operational response to Covid-19.
- Participated in training programmes such as unconscious bias training.

DIVISION OF RESPONSIBILITIES CONTINUED
HOW WE GOVERN CONTINUED

Composition of the Executive Committee

"The Executive Committee is responsible for managing the business, day-to-day operational decisions and delivering the strategy set by the Board."

Graham Clemett
CEO

Graham Clemett
Chief Executive Officer

For full details of Graham's responsibilities and experience

See page 106

Dave Benson
Chief Financial Officer

For full details of Dave's responsibilities and experience

See page 107

Carmelina Carfora
Company Secretary

SPECIFIC RESPONSIBILITIES:
- Company Secretary to the Board and its Committees. Advises on legal, corporate governance, regulatory and compliance; manages share schemes and ensures compliance with Board procedures.

BACKGROUND AND RELEVANT EXPERIENCE:
- Carmelina joined the Company as Company Secretary in March 2010. She was previously Company Secretary of Electrocomponents plc.

Angus Boag
Development Director

SPECIFIC RESPONSIBILITIES:
- Planning consents; redevelopment and refurbishment project management; building maintenance; joint ventures; valuations; sustainability and environmental strategy.

BACKGROUND AND RELEVANT EXPERIENCE:
- Angus joined the Group in June 2007 as Development Director. He has experience in property and construction management and is responsible for adding value to the Group's assets through planning consents, development and joint ventures. Angus also manages all construction across the portfolio and has responsibility for the sustainability programme.

DIVISION OF RESPONSIBILITIES CONTINUED

HOW WE GOVERN CONTINUED

Composition of the Executive Committee continued

John Robson
Asset Management Director

SPECIFIC RESPONSIBILITIES:

- Asset management of the portfolio, including lettings, lease renewals, property management and management of the centre and facilities team.

BACKGROUND AND RELEVANT EXPERIENCE:

- John joined Workspace in May 2008 as an Asset Manager. He was promoted to Head of Asset Management in February 2013 and to Asset Management Director in October 2017. Prior to joining Workspace, John qualified as a chartered surveyor and worked for Legal & General Investment Management, London Merchant Securities and ING Real Estate.

Claire Dracup
Head of People

SPECIFIC RESPONSIBILITIES:

- HR; training and staff development; internal culture; business centre support; health and safety; monitoring of customer service.

BACKGROUND AND RELEVANT EXPERIENCE:

- Claire joined Workspace in 1995, initially as a centre manager before progressing to Portfolio Manager. In 2008 Claire became Head of Support Services and was responsible for facilities management, security, health and safety and business centre support, which included recruitment, training and improvements to service and quality control. Claire was appointed as Head of People in April 2020.

Will Abbott
Chief Customer Officer

SPECIFIC RESPONSIBILITIES:

- Customer engagement; marketing and brand development.

BACKGROUND AND RELEVANT EXPERIENCE:

- Will joined the business on 20 April 2020, bringing a wide range of experience from over 20 years in marketing. Having started his career in advertising, Will held a number of senior roles across digital media, FMCG, financial services and travel sectors. Prior to Workspace, Will was Marketing Director UK & Ireland at Hiscox during a significant period of growth for the insurer, and most recently was Chief Marketing Officer of Neilson Active Holidays.

Richard Swayne
Investment Director

SPECIFIC RESPONSIBILITIES:

- Investment, acquisitions and disposals.

BACKGROUND AND RELEVANT EXPERIENCE:

- Richard joined Workspace in November 2014 as an Investment Manager. He was promoted to Head of Investment in October 2017 and Investment Director in April 2020. Prior to joining Workspace, Richard qualified as a chartered surveyor and worked for Cushman & Wakefield Investors and LFF Real Estate Partners.

DIVISION OF RESPONSIBILITIES CONTINUED

HOW WE GOVERN CONTINUED

Information flow to the Board

THE BOARD

9

Number of Board meetings in 2020/21

ONE-TO-ONE MEETINGS

One-to-one meetings are held between new Directors and senior management as part of the induction process. The CEO and CFO meet with senior management individually to discuss operations and performance, after which, the CEO and/or CFO will report back to the Board on matters that require discussion.

BOARD PRESENTATIONS

Employees below Board level are invited to present to the Board on operational topics. During the year our Head of Sustainability attended a meeting to provide an update on our ESG objectives and progress against targets. Our Head of Marketing and Head of Sales attended to provide an update on marketing and sales.

EMPLOYEE ENGAGEMENT

The Chairman held several meetings with staff as part of his role as Non-Executive Director responsible for employee engagement. The Company also conducted a staff survey to understand the challenges employees were facing during lockdown. Regular town hall events kept employees connected. The feedback from there was then presented to the Board.

Information and support to the Board

The Board and its Committees are provided with comprehensive papers in a timely manner to allow members to be fully briefed on matters to be discussed at their meetings.

The Directors have access to the advice and services of the Company Secretary, Carmelina Carfora. Her biography can be found on page 132. At the direction of the Chairman, Carmelina is responsible for advising the Board on matters of corporate governance and compliance with Board procedures.

In consultation with the Chairman, the Chief Executive Officer and Chief Financial Officer, the Company Secretary manages the provision of information to the Board for their formal Board meetings and at other appropriate times.

The Chief Executive Officer and the Chief Financial Officer keep the Board fully aware, on a timely basis, of business matters relating to the Group. They provide various updates to the Board on many aspects of the business, ranging from trading performance, progress being made on our refurbishment and redevelopment projects, the rationale for acquisitions and disposals and how these are aligned to strategy. They also inform the Board on the discussions held with analysts, investors and other stakeholders.

The Company Secretary and external advisers periodically update the Board on regulatory changes. These have included the 2018 Corporate Governance Code and developing guidance and practice in data protection, as well as regulatory developments relating to Covid-19.

The Board utilises an electronic Board paper system which provides immediate and secure access to Board papers and materials. Prior to each Board meeting, the Directors receive through this system the agenda and supporting papers permitting them to have the latest and relevant information in advance of the meeting.

After each Board meeting, the Company Secretary operates a comprehensive follow-up procedure to enable actions to be completed as agreed by the Board.

DIVISION OF RESPONSIBILITIES CONTINUED

HOW WE GOVERN CONTINUED

Information flow to the Board continued

How the Board discharges its responsibilities

The Board discharges its responsibilities through an annual programme of Board and Committee meetings which are scheduled throughout the year, with main meetings timed around the Group's financial calendar. Additional meetings are convened to consider an annual cycle of topics, including the annual strategy day, key management and financial updates, review of risk as well as the approval of acquisitions and refurbishment programmes. In the year ended 31 March 2021 the Board met formally on nine occasions, including a strategy day in September 2020. Supplementary meetings or conference calls are held between formal Board meetings as required.

The Board engaged with the Company's advisers during the year and there was a presentation from the Company's brokers in September and July 2020. The Group's valuer, CBRE, presented to the Audit Committee meetings in May 2020 and November 2020. The CBRE presentations covered the valuation of the property portfolio and the wider market in which the Company operates.

Slaughter and May attended the Board meeting in March 2021 to give an update to the Board on climate-related disclosures, Board diversity and the Market Abuse Regulations.

The Directors are expected to attend all meetings of the Board, the Committees on which they serve and the AGM, and to devote sufficient time to the Company's affairs, to enable them to fulfil their duties as Directors.

Should the Directors be unable to attend meetings, they would be provided with papers to allow them to make their views known to the Chairman ahead of that meeting.

Prior to each Board meeting, and periodically, the Chairman meets the Non-Executive Directors without the Executive Directors present, and maintains regular contact with the Chief Executive Officer, Chief Financial Officer and other members of the management team.

If any Director has concerns about the running of the Company or proposed action which cannot be resolved, these concerns are recorded in the Board minutes. No such concerns arose during the year under review.

Despite the unprecedented conditions we have experienced over the preceding months, the Workspace team has continued to work closely during the period of lockdown. The Board, who have continued with their meetings remotely via the use of technology, have continued with their normal cycle of Board meetings, and remained in regular communication with each other and with the management team.

Training and development

With the ever-changing environment in which Workspace operates, it is important that the Board maintains a good working knowledge of the property industry and how the Group operates within its sector, as well as remaining aware of recent and upcoming developments in the wider legal and regulatory environment.

Directors attend external seminars and briefings in areas considered appropriate for their professional development. This training is designed to build upon the diverse range of experience that each Director brings to the Board. The Company Secretary provides regular updates on legal, regulatory and corporate governance matters. As required, we invite external professional advisers to provide training and updates on their specialist areas. Updates and training are not solely reserved for legislative developments but aim to cover a range of issues including, but not limited to, market trends, the economic and political environment, ESG, technology and social considerations.

Our Directors are invited to identify areas in which they would like additional information or training, following which the Company Secretary will arrange for the necessary resources to be put in place. The resulting sessions may be internally or externally facilitated.

This year the Directors have received updates and presentations on the following areas:

- The legal duties of a Director (and Section 172 considerations)
- ESG commitments and net zero carbon pathway
- Compliance with the 2018 UK Corporate Governance Code
- Data protection compliance
- Executive remuneration trends and best practice
- The Company's purpose and how it aligns with culture and values
- Inclusion and diversity
- Market Abuse Regulation
- Conflicts of interest

COMPOSITION, SUCCESSION AND EVALUATION

An effective Board requires the right mix of skills and experience. Our Board is a diverse and effective team focused on promoting the long-term success of the Group for the benefit of all stakeholders.

Stephen Hubbard
Chairman

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

Overview

Attendance at Nominations Committee meetings

Committee membership
The Committee comprises the Non-Executive Directors and is chaired by Stephen Hubbard. Details of individual attendance at the meetings held during the year are set out below. More information on the skills and experience of all Committee members can be found on pages 106 to 109.

	Meetings attended
Stephen Hubbard (Chairman)	**3**/3
Maria Moloney	**3**/3
Suzi Williams	**3**/3
Chris Girling	**3**/3
Damon Russell	**3**/3
Rosie Shapland[1]	–
Lesley-Ann Nash[2]	–

1. Rosie Shapland was appointed as a Non-Executive Director on 6 November 2020.
2. Lesley-Ann Nash was appointed as a Non-Executive Director on 1 January 2021.

Complying with the Code Principles

PRINCIPLE J
Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained by board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Having reviewed the succession plans for the Board, the Nominations Committee has, during the year, appointed two Non-Executive Directors to the Board. An external search consultancy was used to facilitate the appointments and provide access to a strong and diverse candidate pool. The Committee also plays a key role in supporting inclusion and diversity at Workspace.

See page 140

PRINCIPLE K
Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

Throughout the reporting period, the Nominations Committee continued to focus on the succession pipeline for the Board, including the tenure of all Directors.

See page 143

PRINCIPLE L
Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

As part of the three-year external Board evaluation cycle, this year the Board and Committee evaluation process was externally facilitated. The review was forward-looking, evaluating the effectiveness of the Board and its Committees by looking at their composition, dynamics and processes, and providing recommendations to increase effectiveness in the future.

See page 146

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

Nominations Committee Chairman's Letter

2 June 2021

Dear Shareholder

The purpose of this report is to highlight the role that the Nominations Committee plays in monitoring the Board's balance of skills, experience, knowledge and background to provide the breadth, diversity of thinking and perspective needed to provide effective leadership.

Non-Executive Director succession
As Chairman of both the Committee and the Company, I am acutely aware of the need to ensure that there are no gaps in the skills or experience as members of the Board reach the end of their terms.

This year, the Committee continued its focus on succession planning. In doing so, it considered the tenure, mix and diversity of skills and experience of existing Board members and those required of prospective Board members in the context of the Group's medium and long-term strategy.

Chris Girling, who is both Chairman of the Audit Committee and Senior Independent Director, and Damon Russell, Chairman of the Risk Committee, will both reach their nine-year terms in 2022. Our focus this year has been on finding a Non-Executive Director with recent and relevant financial experience to succeed Chris as Chairman of the Audit Committee in July 2021. We are pleased that Rosie Shapland, a Chartered Accountant and former audit partner at PwC, joined the Board in November 2020.

We also welcomed Lesley-Ann Nash following our search for a new Non-Executive Director. Lesley-Ann, who joined the Board in January 2021, brings a broad range of experience acquired during her time in the Cabinet Office of HM Government and, previously, as Managing Director of Morgan Stanley.

The dedicated search process for both Rosie and Lesley-Ann is set out on pages 140 to 141.

Diversity and inclusion
The Board fully recognises the importance of diversity in all forms on the Board and across the organisation. We are committed to diversity and recognise the benefits that a diverse and inclusive workforce can bring, with differences in background, personal characteristics, skills, industry experience and other qualities combining to provide different perspectives. These have a positive impact on boardroom debate and wider organisational effectiveness.

At Board level, the Nominations Committee and the Board are committed to making sure that, together, the Directors possess a mix of skills, experience, diversity and perspectives to support the long-term success of the Group as well as reflecting our culture and purpose.

We are encouraged by our progress. We are pleased with, but not complacent regarding, our gender and ethnic representation at Board level and across the Group. In particular, we are pleased to report that we meet the recommendations of the Hampton-Alexander and Parker Reviews. On the retirement of Maria Moloney in July 2021, 37% of our Board will be female and, of our Executive Committee and their direct reports, 25% and 46% respectively are female.

On page 145 we describe our diversity and inclusion policy in further detail. We recognise the importance of diversity to our employees and customers. The benefits of diversity in its widest sense, including gender and ethnic diversity, have been and will continue to be an active consideration whenever changes to the composition of the Board or our senior management team are contemplated.

Looking forward, the Nominations Committee will continue to develop and monitor succession plans both at the Board and senior management level, in line with our desire to make sure that the Board and Workspace employees are representative of the diverse society in which we live. The remainder of this report provides further information on the key activities of the Committee during the year.

Stephen Hubbard
Chairman of the Nominations Committee

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

The role of the Nominations Committee

The Nominations Committee is responsible for monitoring that the Board, its Committees and Workspace's senior management have a good balance of skills, knowledge and experience, to lead Workspace effectively both now and in the longer term.

This is achieved through succession planning and talent development, and an understanding of the changing competencies required to support the Group's strategy, purpose, vision, culture and values. The way in which this is supported through the current Board composition is set out on page 143.

The Committee also plays a key role in supporting inclusion and diversity at Workspace, which at Board level involves reviewing and monitoring processes and initiatives in the Group, with employee engagement playing an important role.

The Committee is also responsible for recommending candidates for the role of Non-Executive Director responsible for employee engagement.

How the Committee operates

The Committee held three meetings, primarily to progress the appointment of our new Non-Executive Directors.

- The meetings are usually held immediately prior to or following a Board meeting, though the Committee also meets on other occasions on an ad hoc basis, as required.
- Only members of the Committee have the right to attend meetings. However, an invitation to attend meetings is, on occasion, extended to the Chief Executive Officer, in order that the Committee can understand his views, particularly on key talent within the business.
- The Directors can, for the purpose of discharging their duties, obtain independent professional advice at the Company's expense. No Director had reason to use this facility during the year.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

Nominations Committee activities in 2020/21

Board succession and appointment of new Non-Executive Directors

During the year, the Committee continued to fulfil its core responsibilities of reviewing the structure of the Board and its Committees, recommending new Board appointments and adhering to a formal appointment and induction process.

Chris Girling will have served nine years as a Non-Executive Director in February 2022 and will step down as Audit Committee Chairman following the conclusion of the AGM in July 2021. Considering Chris's length of tenure, our focus was on finding the right person who could eventually assume the role of Chair of the Audit Committee.

Key considerations for the search process

The Nominations Committee discussed the role specification in detail and concluded that strong financial skills, with significant and relevant financial experience, were essential for this role. Potential areas to inform the search process were agreed, to include:

- a qualified accountant, with a deep understanding of the parameters of a non-executive role
- an ability to constructively challenge and support the senior management team and the Board while maintaining a highly collaborative approach and collegiate style
- a strong interest in ESG and how it is shaping the work of the Board and the impacts on the business

In addition, a key consideration as to an individual's suitability for the role was that candidates would be able to devote sufficient time to the role.

Our extensive search and selection process

Fidelio Partners Board Development & Executive Search Ltd ('Fidelio'), an independent external consultancy, were engaged to conduct the selection process.

Fidelio were asked to draw up a detailed role specification. This was reviewed with the Chairman who then engaged with the Nominations Committee. A final role specification was then approved.

The Nominations Committee then agreed that the Chairman would conduct interviews with five of the candidates presented.

Following these interviews, the Chairman and Fidelio compiled a shortlist of two candidates based on their level of experience, commercial focus and broad financial skill sets.

The two candidates then met with Chris Girling, Senior Independent Director and Chairman of the Audit Committee, Graham Clemett (Chief Executive Officer) and Dave Benson (Chief Financial Officer).

Considered candidates with relevant and diverse skills

In follow-up discussions held between the Chairman and the Committee, they reflected upon the experience of the candidates and their specific skill sets.

After due consideration, the Committee recommended the appointment of Rosie Shapland to the Board with effect from 6 November 2020. The Nominations Committee was satisfied that, as a Chartered Accountant and as a former audit partner at PwC, with over 30 years of audit experience across multiple sectors, Rosie has the relevant skills to assume the role of Chair of the Audit Committee.

Furthermore, given the experience and diverse skills of Lesley-Ann Nash, acquired during her tenure as a Director in the Cabinet Office of HM Government and, previously, as Managing Director at Morgan Stanley, it was agreed that Lesley-Ann also be invited to join the Board as a Non-Executive Director with effect from 1 January 2021.

This followed confirmation of the time commitment required and a review of existing arrangements for any actual or potential conflicts of interest.

The biographies for Rosie and Lesley-Ann can be found on pages 108 and 109.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATIONS COMMITTEE ACTIVITIES IN 2020/21 CONTINUED

Board succession and appointment of new Non-Executive Directors continued

External search consultancy engaged by the Nominations Committee
Fidelio are signatories to the Voluntary Code of Conduct for executive search firms and are committed to identifying the most qualified and inclusive candidates for the roles identified. Fidelio was recently accredited by the Hampton-Alexander Review for the fourth year running for their contribution towards achieving gender balance on Boards and leadership teams in the category 'Beyond FTSE 350'. Fidelio also has a strong track record with regard to ethnic diversity in its Board search practice.

The Board development team of Fidelio were engaged to undertake an external Board evaluation, which was concluded in April 2021. Details of the external evaluation can be found on page 146. Fidelio have no other connection with the Company or the individual Directors.

Rosie Shapland and Lesley-Ann Nash photographed at Kennington Park.

Induction of Rosie Shapland and Lesley-Ann Nash

All new Non-Executive and Executive Directors joining the Board undertake a formal and personalised induction programme which is designed to provide an understanding of the Company's business, governance, management and its stakeholders. This covers, for example, the operation and activities of the Company including site visits and meeting members of the senior management team, the Company's principal strategic risks, the role of the Board, the decision-making matters reserved to the Board, and the responsibilities of the Board Committees.

The inductions for both Rosie and Lesley-Ann began shortly after the announcement of their appointment on 6 November 2020. Given the restrictions imposed by Covid-19, meetings with staff and external advisers were held remotely. Details of the induction programme can be found on page 142.

"Workspace's tailored director induction programme provided an excellent opportunity to meet with members of the Board and Executive Committee. It enabled me to learn more about the business and to discuss Board strategy, priorities and future plans."

Rosie Shapland
Non-Executive Director

"I joined Workspace in January 2021 and received an extensive and very informative induction. Now that Covid-19 restrictions are easing, I am very much looking forward to spending more time in our business centres and at head office."

Lesley-Ann Nash
Non-Executive Director

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATIONS COMMITTEE ACTIVITIES IN 2020/21 CONTINUED

Board succession and appointment of new Non-Executive Directors continued

Tailored induction for new Directors

The Company Secretary assists the Chairman in designing and facilitating an induction programme for new Directors and their ongoing training.

Each newly appointed Director receives a comprehensive induction programme designed to give them a thorough overview and understanding of the business, covering the Company's purpose, values, strategy, key business areas and operations, and corporate governance structure. This is tailored to take into account a Director's previous experience and responsibilities.

Directors are also briefed on their roles and responsibilities as a director of a listed company. For Non-Executive Directors, specific committee responsibilities relevant to their Committee membership are covered, to enable them to function effectively as quickly as possible.

Directors are also offered follow-up sessions in any areas in which they want to increase their knowledge, or if they feel they could support management with their experience.

Rosie Shapland and Lesley-Ann Nash's induction programme

For the new Non-Executive Directors, Rosie Shapland and Lesley-Ann Nash, the induction programme included the following elements:

- One-to-one meetings with both Executive Directors, the Chairman and each of the Non-Executive Directors.
- Briefing from the Chief Executive Officer on the Group strategy, operational matters and people.
- Discussion with the Chief Financial Officer on financial matters, the control environment, including the capital structure and funding.
- Briefings from the Company Secretary and the Head of Corporate Communications on legal governance matters and shareholder relationships, which were followed up by sessions with the Company brokers and external advisers.
- Briefings from senior executives and managers across our key business areas and operations, including marketing, asset management, investment, brand development, ESG and technology.
- Access to reference materials, including key information on our governance framework, recent financial data, investor relations and policies supporting our business practices, including our share dealing policies, conflicts of interest procedure and directors' duties.

Regrettably, given the Covid-19 pandemic, these sessions were held remotely and on-site visits were not possible. However, as soon as restrictions ease, visits to our properties and other direct engagement with advisers and staff will be arranged.

Time commitments

The Directors have demonstrated a strong commitment to their roles on our Board and Committees in a year where all companies have asked more of their directors to meet the challenges of Covid-19. The Directors attended meetings of the Board and Committees scheduled in 2020/21 as well as additional ad hoc meetings. For further details of attendance at meetings see page 105.

The Directors have also given careful consideration to their external time commitments to confirm that they are able to devote an appropriate amount of time to their roles on our Board and Committees. For each of the Directors, the Board considers that the time commitment that he or she is required to devote to those roles does not compromise their roles at Workspace. The Nominations Committee reviews on an ongoing basis Directors' time commitments and confirmed that they were fully satisfied with the amount of time each Director devoted to the business.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATIONS COMMITTEE ACTIVITIES IN 2020/21 CONTINUED

Performance of the Nominations Committee

Performance of the Nominations Committee

The performance of the Committee was considered through the annual Board evaluation process, which this year was the subject of an external review.

From the responses provided, it was concluded that the Nominations Committee was operating effectively.

Board composition

BOARD SKILLS AND EXPERIENCE

As at 31 March 2021

Property and real estate	7
Financial acumen	6
Brand and marketing	3
Executive and strategic leadership	9
ESG	9
Investor relations and engagement	5

BOARD TENURE

As at 1 April 2021

0–5 years	4
5–7 years	1
7+ years	4

Reviewing the Board and Committee composition

As part of the Board's annual effectiveness review, described on page 146, the Committee considers the composition of the Board and its Committees in terms of balance of skills, experience, length of service and wider diversity considerations.

The Board and its Committees continue to have a strong mix of experienced individuals on the Board who are not only able to offer an external perspective on the business, but also provide constructive challenge to review the Group's strategy.

The Board has carefully considered the guidance criteria regarding the composition of the Board under the UK Corporate Governance Code. In the opinion of the Board, the Chairman and all the Non-Executive Directors bring independence of judgement and character, a wealth of experience and knowledge and the appropriate balance of skills. The Directors are given sufficient time to enable them to carry out effectively their responsibilities and duties to the Board and the Committees on which they sit.

They are sufficiently independent of management and are free from any other circumstances or relationships that could interfere with the exercise of their judgement.

As at 31 March 2021, the Board comprised the Chairman, two Executive Directors and six Non-Executive Directors. Further details on the independence of Directors and their election and re-election can be found on page 199 and on page 4 of the 2021 Notice of Annual General Meeting.

In accordance with the Code, with the exception of Maria Moloney, all the Directors will retire and offer themselves for election or re-election by shareholders at the 2021 Annual General Meeting. The biographies of all members of the Board, outlining the experience they bring to their roles, are set out on pages 106 to 109.

Non-Executive Directors

Each of Chris Girling, Damon Russell, Maria Moloney and Stephen Hubbard have or will have been on the Board for more than six years, so the Committee has undertaken a review of their contribution to the Board. The Committee concluded that each of Chris, Damon, Maria and Stephen are independent and continue to bring a range of relevant skills gained in diverse business environments. This enables the Directors to bring the benefit of varying perspectives to Board debate.

The Committee recommended to the Board the re-election and election of all Directors with the exception of Maria Moloney who, having served as a Non-Executive Director for nine years in May 2021, will retire following the conclusion of the 2021 AGM.

The skills and experience of the Directors are summarised on pages 106 to 109.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATIONS COMMITTEE ACTIVITIES IN 2020/21 CONTINUED

Board composition continued

Non-Executive Director for employee engagement

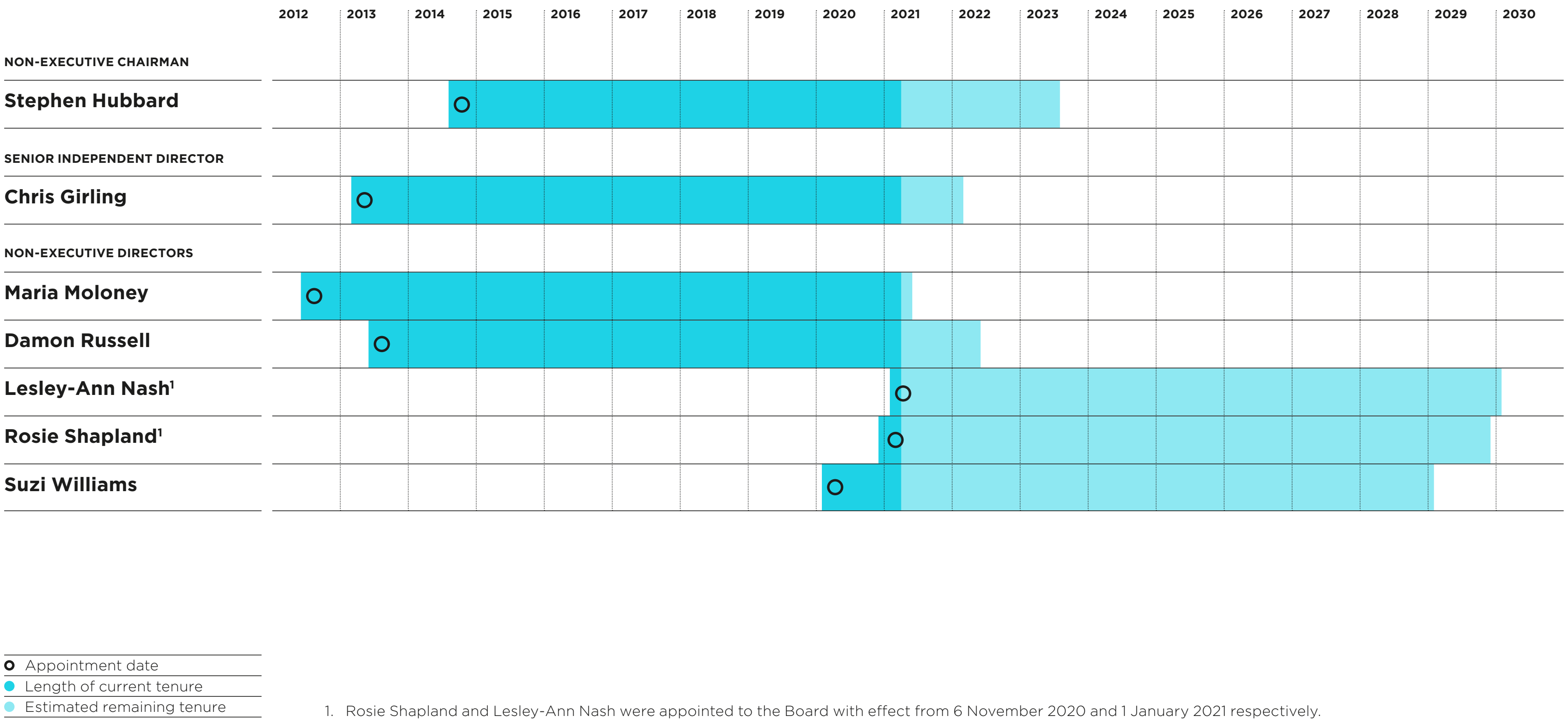
Stephen Hubbard was appointed as the Non-Executive Director for employee engagement in July 2020. Further details can be found on page 118.

Non-Executive appointments and time commitments

Following a review process, the Nominations Committee concluded that each of the Directors continued to make an effective contribution to the Board and to fulfil their duty to promote the success of the Company. It also considered the time commitments of the Non-Executive Directors and concluded that each Director is able to dedicate sufficient time to the Company.

Furthermore, the respective skills of the Directors were found to complement one another, enhancing the overall operation of the Board.

NON-EXECUTIVE DIRECTORS' TENURE AS AT 31 MARCH 2021



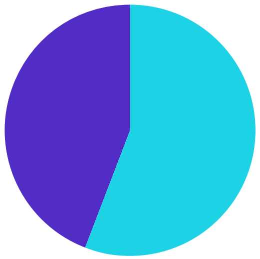
1. Rosie Shapland and Lesley-Ann Nash were appointed to the Board with effect from 6 November 2020 and 1 January 2021 respectively.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATIONS COMMITTEE ACTIVITIES IN 2020/21 CONTINUED

Inclusion and diversity policy

GENDER DIVERSITY OF THE BOARD
As at 1 April 2021



Male	**56%**
Female	**44%**

GENDER DIVERSITY OF EXECUTIVE COMMITTEE AND DIRECT REPORTS

Male	**58%**
Female	**42%**

Diversity is an integral part of our corporate culture and our purpose, to give businesses the freedom to grow. We invest in our employees through training and support them to grow and develop the ability to think differently and act on their own initiative to deliver the best for our customers. A diverse workforce that brings an appropriate balance of skills, experience and knowledge, as well as fresh perspectives, enriches our business and contributes to our long-term success.

We believe in fairness and equality of opportunity where talented people can thrive, without regard to gender, race, ethnicity, age, religious beliefs, disability, education or social background. We operate an Equal Opportunities Policy which provides that recruitment and selection, training and development, and performance reviews and promotion must all be based solely on individual merit and free from bias. We monitor and analyse employee gender and ethnicity information and we actively follow recommendations for improving diversity. We consider this to be consistent with our policy that selection should be based on the best person for the role. Active consideration is always given to using recruitment processes, including advertisements and use of recruitment agencies, which allow a diverse group of potential candidates to be identified both at Board and employee level.

The Board's gender and ethnicity balance is in accordance with the recommendations of the Hampton-Alexander and Parker Reviews.

To support the development of an inclusive and diverse talent pipeline, our Human Resources team has been tasked with delivering a number of supporting initiatives to increase diversity and build a pipeline of talented employees and senior managers. The HR team has continued to work closely with employees to identify and progress these initiatives including:
- supporting employees returning from parental leave by offering flexible working options and staggered returns to work
- organising unconscious bias training and interview skills training for members of the Executive Committee and staff involved in recruitment and performance appraisals
- issuing a recruitment policy and guidance notes to promote fair and thorough processes
- continuing to advertise new job vacancies internally to encourage internal applications
- reviewing and auditing job descriptions and person specifications to confirm that inclusive language is being used consistently and working with recruitment agencies to make sure the same applies to any materials produced by them
- requiring, wherever possible, candidate shortlists for executive-level positions to include an equal number of men and women
- requesting that CVs from recruiters are anonymised so that we fairly shortlist candidates without considering their gender or ethnicity
- continuing to promote progressive career development through job rotation to broaden experiences and skills
- identifying, via our bi-annual appraisal process, employees who have strong potential for development at Workspace, and putting training and development plans in place for them
- sponsoring external learning and development as well as providing a group-wide internal training programme to offer employees opportunities to learn and develop skills such as organisation, people management and managing difficult situations

Details of the Board of Directors

See page 106

Further details of gender and ethnic diversity of all employees

See page 47

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATIONS COMMITTEE ACTIVITIES IN 2020/21 CONTINUED

Board evaluation

The annual Board and Committee effectiveness reviews, whether internal or external, continue to provide a valuable opportunity for the Board to reflect on how it operates, enabling it to improve its effectiveness and that of its Committees. As part of our three-year external Board evaluation cycle, this year, our Board and Committee evaluation process was externally facilitated by Gillian Karran-Cumberlege of Fidelio. Two potential options for external evaluators were presented to the Board. In considering who to appoint, the Board was keen to work with Fidelio given their extensive Board evaluation and development experience, their focus on enhancing effectiveness and the Board's contribution to value, and their understanding of diversity, ESG and shareholder engagement. Fidelio were an active contributor to the recent BEIS consultation paper on Board Evaluation conducted by the UK Chartered Governance Institute.

The Executive search team of Fidelio were, in 2020, engaged to assist with the search and identification of a new Non-Executive Director.

They have no other connection with the Company or the individual Directors.

BOARD EVALUATION TIMELINE

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATIONS COMMITTEE ACTIVITIES IN 2020/21 CONTINUED

Board evaluation continued

BOARD EVALUATION PROCESS

1.

As part of the review, Gillian Karran-Cumberlege of Fidelio:

Met with the Chairman and the Company Secretary to define the scope and objectives of the evaluation.

Held in-depth one-to-one interviews with each Board Director and the Company Secretary covering key aspects of governance and effectiveness.

Held discussions with each of the Executive Committee members. Given that the purpose of the evaluation is to increase Board effectiveness, the perspective of the Executive Committee was considered important.

Conducted a benchmarking of Workspace against three peer companies, reviewing governance, Board composition, Board structures, diversity and inclusion, and the approach to ESG.

In addition to the evaluation of the Board and each of the Committees, individual feedback on the Directors was provided to the Chairman, who after consideration of the recommendations from the Board evaluation process, met with the Directors individually. Feedback on the Chairman was also provided in the report.

2.

The review was focused on the following key areas:

Board dynamic and decision making.

The value that the Board brings to Workspace.

Board accountability and directors' duties.

Risk and oversight.

Board leadership and company purpose – including culture and its alignment to purpose, values and strategy and setting the tone from the top.

Strategy and the Board's contribution to its formulation.

Composition, succession and evaluation – including the appointments process for Board and senior roles, induction and development of Board members.

Effectiveness of the respective Board Committees in contributing to the work of the Board.

Engagement with shareholders and other stakeholders.

How ESG considerations are fully integrated into the strategy, business model and the work of the Board.

The effectiveness of the Board in its oversight of diversity and inclusion.

3.

The report of the findings was presented to the Board at their April meeting. The Board discussed the points raised by the review as well as the recommendations for increasing the effectiveness of the Workspace Board.

OUTCOMES

The feedback from this year's external Board evaluation was positive and concluded that the Board and its Committees continued to work well. In particular, it was noted that the Board had moved rapidly to a new form of remote working during the pandemic, with key decisions and approvals being achieved.

Specific development themes included:
- Create a clear framework for how the Board members and the Executives can engage beyond the formal Board meetings.
- Continue to develop the Board's oversight of the broader people agenda, including diversity and inclusion, succession planning, culture, and people leadership and development.
- Continue to develop its oversight of strategy and its implementation.
- Continue to focus on ESG and how it is embedded into strategy.
- Maintain a focus on stakeholder and shareholder engagement.
- Maintain a focus on succession planning and composition of the Board, its Committees and of the Executive Committee.
- Review the approach to Board learning, developing a dynamic programme of relevant subject areas that reflect strategic priorities or challenges.

Following the recommendations from the external review, an implementation plan and progress tracker were developed by Gillian Karran-Cumberlege and the Company Secretary and reviewed by the Board. Progress on implementing the recommendations will also be reviewed with the Chairman after six and twelve months.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATIONS COMMITTEE ACTIVITIES IN 2020/21 CONTINUED

Board evaluation continued

Progress against the internal Board effectiveness review conducted in 2020

In 2019/20, the performance and effectiveness of the Board was reviewed through an internally facilitated evaluation process. The feedback from this review was positive and concluded that the Board and its Committees continued to work well and that the Directors contribute effectively and demonstrate commitment to their roles.

Whilst no specific development themes were identified from the 2020 evaluation, the Board agreed that it would continue to look for opportunities to improve its effectiveness. The items that were discussed during this review focused on succession planning, the continued evolution of the Board and its composition, broader stakeholder engagement and continued focus on strategy. These areas have been progressed within the period.

ITEM DISCUSSED BY THE BOARD:	OUTCOME:	
SUCCESSION PLANNING AND CONTINUED EVOLUTION OF THE BOARD AND ITS COMPOSITION	We are pleased with our progress this year. We appointed Rosie Shapland and Lesley-Ann Nash as Non-Executive Directors. Maria Moloney will have served as a Non-Executive Director for nine years in May, and so will be stepping down at the AGM in July 2021. Until January 2021, Maria was also Chairman of the Remuneration Committee. As part of the review of succession planning and Board composition, Suzi Williams, appointed in January 2020, was appointed as Chair of the Remuneration Committee with effect from January 2021.	**More information on the recruitment and induction of Rosie Shapland and Lesley-Ann Nash** Pages 140 to 142
STRATEGY SHOULD CONTINUE TO FEATURE ON THE BOARD'S AGENDA	Strategy has remained a key feature on Board agendas in the year, with a separate strategy day held in September 2020.	**More information on our strategy day** Page 111
SHAREHOLDER COMMUNICATIONS AND BROADER STAKEHOLDER ENGAGEMENT ACTIVITY	The Board recognises the importance of clear communications and proactive engagement with all our stakeholders.	**More information on our stakeholder engagement activity** Pages 116 to 121
	During the year, Stephen Hubbard, the Non-Executive Director responsible for employee engagement, held meetings with small groups of employees where a broad range of matters were discussed.	**More information on our employee engagement activity** Pages 118
	The Board also received an update from the Chief Executive Officer and Chief Financial Officer following feedback from investors on the launch of the Company's first green bond issuance in March 2021 and, earlier in the year, from analysts and investors on the full-year and half-year results. The Chief Executive Officer and other members of the Executive Team have held remote meetings with staff during lockdown periods, with regular updates made to the Board on feedback received from staff.	**More information on our stakeholder engagement activity** Pages 116 to 121

AUDIT, RISK AND INTERNAL CONTROL

The Audit and Risk Committees fulfil a vital role in the Group's governance framework, providing valuable independent challenge and oversight.

SECTION CONTENTS

COMPLYING WITH THE CODE

AUDIT COMMITTEE REPORT

RISK COMMITTEE REPORT

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

Overview

Complying with the Code Principles

PRINCIPLE M
The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

In addition to the annual review of effectiveness, the Committee considered the independence and objectivity of the External Auditor through a combination of assurances provided by the External Auditor on the safeguards in place to maintain independence, oversight of the Non-Audit Services Policy and fees paid. KPMG confirmed that their staff complied with their ethics and independence policies and procedures.

The Group does not currently have an internal audit function, a matter which is reviewed annually by the Audit Committee.

See page 158

PRINCIPLE N
The board should present a fair, balanced and understandable assessment of the company's position and prospects.

The Board as a whole is responsible for determining whether the 2021 Annual Report and financial statements are fair, balanced and understandable. The Audit Committee's role in this is covered on page 158. For the year ended 31 March 2021, the Committee confirmed to the Board that it was satisfied that the Annual Report was fair, balanced and understandable.

See page 158

PRINCIPLE O
The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

During the year, the Board established a Risk Committee to oversee the Group's risk management. See more detail on page 163.

Principal risks have been considered in detail by the Board, the Risk Committee and the Executive Committee. More detail can be found on pages 63 to 70.

Read about our risk management and internal control framework on pages 161 to 166.

See page 161

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

Audit Committee Report

Our priority is to safeguard the integrity and effectiveness of our financial reporting and audit process.

Chris Girling
Chairman of the Audit Committee

Attendance at Audit Committee meetings

	Member since	Meetings attended
Chris Girling – Chairman	2013	**3**/3
Maria Moloney	2012	**3**/3
Lesley-Ann Nash	2021	**1**/1
Damon Russell	2013	**3**/3
Rosie Shapland	2020	**1**/1
Suzi Williams	2020	**3**/3

Notes:
In accordance with the UK Corporate Governance Code 2018, the Board considers that Chris Girling has significant recent and relevant financial experience.

Stephen Hubbard was appointed Company Chairman in July 2020. In compliance with the Code, Stephen stepped down as a member of the Audit Committee. Stephen attended all scheduled meetings of the Audit Committee prior to this date.

Lesley-Ann Nash and Rosie Shapland joined the Board with effect from January 2021 and November 2020, respectively.

Ishbel Macpherson stepped down as a Non-Executive Director of the Company on 24 July 2020. As a member of the Audit Committee, Ishbel attended all meetings held prior to her departure.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT COMMITTEE REPORT CONTINUED

Chairman's Audit Committee Letter

2 June 2021

Dear Shareholder

As Chair of the Audit Committee (the 'Committee'), I am pleased to present the Committee's report for the financial year ended 31 March 2021.

This is my final report as Chairman of the Audit Committee as I will step down from this role following the Annual General Meeting in July 2021. Rosie Shapland, a fellow Non-Executive Director and a current member of the Committee, will succeed me as Chairman. Rosie is a Chartered Accountant and was previously an audit partner at PwC. Rosie also serves as Chair of the Audit Committees for both Foxtons Group plc and PayPoint plc. In accordance with the UK Corporate Governance Code, the Board considers that Rosie has significant, recent and relevant financial experience, based on her previous role at PwC and on her current Non-Executive Director roles.

On an ongoing basis, the Board reviews the composition of the Committee to establish that it remains proportionate to its role and responsibilities. The Board also appointed Lesley-Ann Nash as a Non-Executive Director from January 2021, who also sits on the Audit Committee.

The report is intended to provide shareholders with an insight into how key topics are considered during the year, together with how the Committee discharged its responsibilities.

The report details the key activities of the Committee during the year under review, alongside its principal responsibilities. These can be found on page 155.

Covid-19
During the year, the Committee considered potential risks arising from the ongoing uncertainty surrounding the impact of the Covid-19 pandemic and long-term viability. Full details of our going concern review are contained on page 81, following which we concluded that Workspace continues to be a viable business and remains a going concern.

Review of material issues
The Audit Committee has a key role in checking that the Group's narrative reporting gives a fair, balanced and understandable assessment of the Group's position and prospects and establishing that the financial statements provide a true and fair view of the Group's financial affairs. As part of this process, we considered the significant financial judgements made during the year, along with other key financial reporting issues. In this context, we considered the twice annual valuation of the investment portfolio as a significant matter, for which further details are provided on page 159.

We also considered, as we do on a regular basis, the potential for fraud in revenue recognition, scope for management override of controls and compliance with regulations. We found no concerns arising from this review.

A description of the main activities and information on the other significant issues that the Committee considered during the year can be found on 156 to 159.

2021 Annual Report
After reviewing the reports from management and, following discussions with the External Auditor and valuers, the Committee is satisfied that:
- Both the External Auditor and valuers remain independent and objective in their work
- The financial statements appropriately addressed the key judgements and key estimates
- The Group has adopted appropriate accounting policies

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT COMMITTEE REPORT CONTINUED

Financial Reporting Council (FRC) review

The Group received a letter from the Financial Reporting Council concerning its limited scope review of the Group's Annual Report and Accounts for the year ended 31 March 2020. In response to the letter, we provided the FRC with further information relating to assumptions underlying our valuation and have made some minor amendments to the disclosures in note 10, Investment Property.

The FRC review was based on the Annual Report and Accounts and did not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into. It was, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework.

Committee effectiveness

This year the Committee's effectiveness was formally reviewed as part of the external Board evaluation process and I am pleased to report that it was found that the Audit Committee continues to operate effectively.

In addition, the quality of the papers and presentations by management, the level of challenge from the Audit Committee, KPMG and CBRE and the quality of discussions held, gives the Committee further comfort and assurance that it is performing its role effectively.

I hope that you find assurance from this report on the work undertaken by the Committee during the year.

Chris Girling
Chairman of the Audit Committee

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
AUDIT COMMITTEE REPORT CONTINUED

Role of the Audit Committee

The Audit Committee reviews and monitors the integrity of the Company's financial reporting in advance of its consideration by the Board. The Committee oversees the relationship with the External Auditor in order to assess their effectiveness and to annually assess their independence and objectivity.

How the Committee operates

The Audit Committee is composed solely of independent Non-Executive Directors, with a wide diversity of experience, including finance, property and marketing. Chris Girling, as a Chartered Accountant with many years of senior financial experience, satisfies the requirement of having appropriate recent and relevant financial experience.

Meetings of the Audit Committee coincide with key dates in the financial reporting and audit cycle. During the year, the Committee met on three occasions, in May and November 2020 and in March 2021. In addition, the Committee met in May 2021 to review the 31 March 2021 Annual Report along with the property valuation and the findings of the External Auditor.

A forward plan of agenda items guides the business to be considered at each meeting and is regularly reviewed and developed. This assists and facilitates the work of the Committee, enabling it to give thorough consideration to matters of particular importance to the Company.

The Committee receives information in advance of its meetings including information from management and detailed reports from the External Auditor including the audit report. The Committee meets privately with the External Auditor, at least annually and liaises with Company management in considering areas for review.

The Committee Chair also meets separately with the Chief Financial Officer, Chief Executive Officer and members of the Audit team at KPMG. These meetings inform the work of the Committee by identifying key areas of focus and emerging issues.

The Committee regularly invites the external audit lead partner, Nick Knight of CBRE, the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer and Head of Finance to its meetings.

Meetings of the Committee are held in advance of the Board meetings to allow the Committee Chairman to provide a report on the key matters discussed, to the Board, and for the Board to consider any recommendations made.

All of this, along with ongoing challenge, debate and engagement, allows the Committee to discharge its responsibilities effectively.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT COMMITTEE REPORT CONTINUED

THE ROLE OF THE AUDIT COMMITTEE CONTINUED

> "The Audit Committee works with the Risk Committee, established in September 2020, to review the adequacy and effectiveness of the Group's risk management and internal control."

Chris Girling
Chairman of the Audit Committee

Audit Committee responsibilities

Financial reporting

- Review the year-end and interim financial statements and monitor the reporting process. Information on significant matters in relation to the financial statements that were considered by the Committee can be found on page 159.
- Advise the Board on the Group's viability and going concern status. More information on the Committee's assessment of the Group's viability and going concern status can be found on pages 81 and 82.
- Review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess performance, the business model and strategy. The Group's strategy and business model are explained on pages 29 to 33 and 11 to 19 respectively.
- Review the appropriateness of accounting policies and practices.
- Review the reports on viability and going concern including the assumptions included in plans, key risks considered, and the sensitivities tested.

External audit

- Assess the work of the External Auditor and any significant financial judgements made by management. More information is available on pages 157 to 159.
- Review and monitor the objectivity and independence of the External Auditor, including its policy governing the provision of non-audit services. Refer to page 158 for more information.
- Review and monitor the effectiveness of the external audit process and the ongoing relationship with the External Auditor. More information on our process of safeguarding auditor independence is available on page 158.

Financial risks

- Remains responsible for oversight and review of controls relating to financial risks and risks relating to finance IT systems.
- Review the operational effectiveness of key controls in place to manage finance risk.

More information on the Group's internal controls and risk management process is available on page 166 and the work of the Risk Committee is available on page 164.

Governance, best practice and development

- Keeping up to date with developments regarding control environments (with advice from the External Auditor).
- Keeping up to date on investor, shareholder and market sentiment (with advice from the Company's brokers).
- Keeping up to date with regulatory and legislative matters relevant to the Company (with advice from the Company's legal advisers).

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT COMMITTEE REPORT CONTINUED

Key matters considered by the Committee during the year

AUDIT COMMITTEE MEETING HELD ON 27 MAY 2020	AUDIT COMMITTEE MEETING HELD ON 5 NOVEMBER 2020	AUDIT COMMITTEE MEETING HELD ON 10 MARCH 2021
FINANCIAL AND NARRATIVE REPORTING		
– Reviewed the year-end financial statements including key judgements, estimates, assumptions and the going concern and viability statements. – Considered the content of the Annual Report and Accounts and advised the Board on whether, taken as a whole, the Annual Report and Accounts were fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Company's position, performance, business model and strategy. – Discussed the 2019/20 viability statement and going concern assumption with our External Auditor. – Reviewed a tax report and confirmation of compliance with REIT tax regime. – Discussed the presentation of the 31 March 2020 portfolio valuation by the independent valuers. – Considered the proposal for a final dividend.	– Considered the interim financial results and half-year statements. – Reviewed and discussed a report from KPMG, summarising their findings arising from the half-year review of the results of the Company for the six months ended 30 September 2020. – Discussed a report, from Head of Finance, providing a review of the half year accounts. – Discussed a report from the Chief Financial Officer on the going concern and viability assessment. – Reviewed letters of representation issued to the External Auditor for the half-year results prior to their being agreed by the Board. – Reviewed a report on the audit plan and strategy for the year ended 31 March 2021.	– Considered a first draft of the Audit Committee Report for the year ended 2021. – Considered the letter from the FRC and reviewed the Company's response.
EXTERNAL AUDIT		
– Considered the External Auditor's report on the 2019/20 audit. – Reviewed letters of representation issued to the External Auditor for the full-year results prior to their being agreed by the Board. – Reviewed the independence of the External Auditor. – Held a private meeting with the External Auditor.	– Considered the scope and cost of the external audit for the year ended 31 March 2021. – Reviewed the materiality threshold for the 2020/21 audit. – Considered the audit plan and strategy for the year ending 31 March 2021.	– Considered year-end audit plan. – Reviewed a report on non-audit services and the fees paid to the External Auditor during the last financial year.
GOVERNANCE		
– Agreed the narrative of the 2019/20 Audit Committee Report. – Reviewed the corporate governance sections of the 2020 Annual Report. – Reviewed the requirement for an internal audit function.	– Approved the Committee timetable and planner which detailed the areas of focus for 2020/21. – Considered the conclusions from the review of effectiveness of the external audit process for the 2020 year-end audit.	– Updated the Committee's Terms of Reference. – Discussed the non-audit assignments policy. – Discussed the approach for the externally facilitated Committee effectiveness review.

Risk management and internal control

Before the Risk Committee was established in September 2020, the Audit Committee, at its 27 May 2020 meeting:

- Reviewed the principal and operational risks identified for the Group.
- Discussed a summary of the assurance work undertaken within the financial year.
- Considered the effectiveness of the Company's procedures for preventing fraud.
- Considered an update on health and safety and considered the Health and Safety Policy Statement.
- Considered the need for an internal audit function.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
AUDIT COMMITTEE REPORT CONTINUED

External audit

KPMG was appointed as the External Auditor in January 2017 following a formal tender process. At the 2020 AGM, shareholders re-appointed KPMG as the External Auditor of the Group for the year ended 31 March 2021 and authorised the Committee to fix the External Auditor's remuneration. The current lead audit engagement partner, Richard Kelly, is in the fourth year of his term.

Audit fees

Fees payable to the External Auditor for audit and non-audit services are set out in note 2 on page 218. This year, the non-audit services performed by KPMG included:

- the review of the Group's half-year results; and
- provision of a comfort letter in relation to the Group's bond issuance. This work was required to be undertaken by a reporting accountant and we believed that KPMG, as our auditors, were best placed to provide these services.

Audit quality

The Committee has primary responsibility for overseeing the relationship with, and performance of, the External Auditor, in particular with regards to the independence, quality, rigour and challenge of the external audit process. Annually, the Committee assesses the qualifications, expertise, resources and independence of the Group's External Auditor, as well as the effectiveness of the audit process through discussion with the Chief Financial Officer and Head of Finance. The Chair of the Committee also meets with the KPMG Partner.

As part of the effectiveness review, a questionnaire was issued, following the March 2020 year end, to Committee members, as well as regular attendees of the Committee and those involved in the external audit process. Views were also sought from key members of the Finance team and senior management also involved in the external audit process.

Questions were posed around the:

- Effectiveness of the external audit including the quality and scope of the audit plan, reporting and the level of fees for the audit.
- Delivery and execution of the agreed external audit process for the 2019/20 financial year.
- Efficiency and performance of the audit team as well as their technical competence.
- Communication and engagement between the senior management team, the Finance team, KPMG and the Committee.

The Committee discussed a summary of the key findings and results at its meeting in November 2020. No significant concerns were identified.

The Committee's relationship with the External Auditor is one of openness and professionalism, and the results of the review were discussed with KPMG to monitor the continuing quality of audit services.

From its discussions during the year, the challenges presented to the auditors and a review of the reporting received, the Committee considers that the auditor provides appropriate professional challenge and reports its findings in an open and direct manner.

The Committee remains satisfied:

- With the effectiveness of the external audit and the interaction between the auditors and the Committee.
- As to the External Auditor's qualifications, expertise and resources.

Audit independence and objectivity

Furthermore, as part of its deliberations, the Committee reviews a report on the audit firm's own internal quality control procedures together with the policies and processes for maintaining independence and monitoring compliance with relevant requirements.

KPMG LLP has confirmed to the Committee that:

- The audit of the consolidated financial statements is undertaken in accordance with the UK firm's internal policies and procedures.
- It has internal procedures in place to identify any aspects of non-audit work which could compromise its role as auditor and to ensure the objectivity of its audit report.
- It believes that, in their professional judgement, the safeguards they have in place sufficiently guard against the threats to independence.
- The total fees paid by the Group during the year do not represent a material part of its firm's fee income.
- It considers that it has maintained audit independence throughout the year.

The Committee is satisfied that the External Auditor is independent.

The Audit Committee will continue to review the effectiveness and independence of the External Auditor each year.

The Group complies with the Competition and Markets Authority Order 2014 relating to audit tendering and the provision of non-audit services, and it is the Group's intention to put the audit out to tender at least every ten years. The external audit was last tendered in 2017 following which the External Auditor changed from PricewaterhouseCoopers LLP (PwC) to KPMG and there are no current plans to re-tender the services of the External Auditor.

There are no contractual obligations which restrict the Committee's choice of external auditor or which put in place a minimum period for their tenure.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
AUDIT COMMITTEE REPORT CONTINUED

Safeguarding auditor independence

NON-AUDIT SERVICES
As required by the Code, the Audit Committee has a formal policy governing the engagement of our External Auditor, KPMG, to supply non-audit services and to assess the threats of self-review, self-interest, advocacy, familiarity and management. KPMG has discontinued the provision of all non-audit services (other than those closely related to the audit) to all FTSE 350 companies, meaning non-audit services will be confined to a more limited scope of work than that defined by the Audit Committee Terms of Reference.

During the year, KPMG were asked to provide additional services in the form of a comfort letter in relation to the Group's issue of the green bond. These services are closely related to the audit and both the services provided and the fees were within the limitations set out in the formal policy.

MANAGEMENT MANAGEMENT THREAT
This occurs when the audit firm performs non-audit services and management make judgements based on that work.

- The Group does not use the External auditor for any services which would be considered management responsibility.

FAMILIARITY A FAMILIARITY THREAT
This is where, due to a long or too close a relationship, the External Auditor's independence is affected.

- The Audit Committee prohibits the hiring of former employees of the External Auditor associated with the Group's audit into management roles with significant influence within the Group within two years following their association with the audit, unless the Chairman of the Audit Committee gives prior consent. Annually, the Audit Committee will be advised of any new hires that fall under this policy. There have been no instances of this occurring to date.
- The Audit Committee monitors on an ongoing basis the relationship with the External Auditor, to check its continuing independence, objectivity and effectiveness by reviewing its tenure, quality and fees.

SELF REVIEW A SELF-REVIEW THREAT
This is where, in providing a service, the external audit team could potentially evaluate the results of a previous service provided by the external audit firm.

- The Group does not use the External Auditor for any services which would involve self-review of their own work.

SELF-INTEREST A SELF-INTEREST THREAT
Where a financial or other interest (of an individual or the external audit firm) could inappropriately influence an individual's judgement or behaviour.

The Audit Committee specifically performs the following:

- If the External Auditor is to be considered for the provision of non-audit services, the scope of work and fees must be approved in advance by the Chief Financial Officer, the Company Secretary and the Chairman of the Audit Committee. For larger assignments, in excess of £100,000, this would involve a competitive tender process, unless there are compelling commercial or timescale reasons to use the External Auditor or another specific accountancy firm.
- The Committee shall review and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor. Such policy shall specify the circumstances in which prior approval of non-audit services by the Committee is required and specify any internal processes that must be followed.
- It will not accept significant contingent fee arrangements with the External Auditor.

ADVOCACY AN ADVOCACY THREAT
This is where the external audit firm or its personnel promote an audit client's position to the extent where the External Auditor's objectivity is compromised.

- The Group does not use the External Auditor in an advocacy role.

2021 ANNUAL REPORT AND ACCOUNTS – FAIR, BALANCED AND UNDERSTANDABLE

On behalf of the Board, the Committee discussed a report from the CFO and Head of Finance covering the financial statements and whether the Annual Report and Accounts:

- Had clearly reported the impact of Covi-19 on the financial statements
- Provided clear explanations of KPIs and link to strategy
- Explained our business model, strategy and accounting policies simply, using clear language
- Included clear signposts to additional information
- Was in accordance with the information provided to the Board during the year

The Committee considered whether the Annual Report and Accounts:

- was a fair, balanced and an understandable assessment of the Company's position and prospects
- provided the necessary information for shareholders to assess the Group's performance, business model and strategy
- had been written in straightforward language, without unnecessary repetition

The Directors are responsible for preparing the Annual Report and Accounts. The Committee reported that based on its review of the relevant evidence. It was satisfied that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Board's statement on the Annual Report and Accounts is set out in the statement of Directors' responsibilities on page 202.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT COMMITTEE REPORT CONTINUED

Significant matters considered by the Committee

The Audit Committee considers all financial information published in the full and interim financial statements and considers accounting policies adopted by the Group, presentation and disclosure of the financial information and, in particular, challenging the key judgements made by management in preparing the financial statements.

The Audit Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results, or the level of complexity, judgement or estimation involved in their application on the consolidated financial statements. The main areas of focus during the year are set out below:

MATTER CONSIDERED:	ACTION TAKEN BY THE COMMITTEE
VALUATION OF THE INVESTMENT PROPERTY PORTFOLIO	The valuation of the investment property portfolio is inherently subjective, requiring significant judgement. The outcome is significant for the Group in terms of its investment decisions, results and remuneration, and is a major component of Total Property Return, one of our KPIs. The valuation is conducted externally by independent valuers, CBRE, one of the world's largest commercial real estate services firms. CBRE presented the year-end valuation to the Audit Committee, who reviewed the methodology and outcomes of the valuation, challenging the key assumptions and judgements and gave particular focus to any alternative procedures undertaken in light of Covid-19. They also considered the objectivity and independence of the valuers. KPMG met with the valuers and presented their views on the valuation to the Committee, as well as an explanation for how the valuation is audited. The Committee considered that it was satisfied that the methodology, assumptions and judgements used by the valuers were appropriate, and that the valuations were suitable for inclusion in the financial statements.

In addition, the Audit Committee reviewed a number of other key matters which have been considered by management and discussed with KPMG, including the accounting treatment for discounts and deferrals in the year and uncertainty relating to collection of trade receivables. Further information can be found in the section on principal risks and uncertainties on pages 63 to 70.

Portfolio valuation

Our property portfolio is independently valued twice annually by our external valuers, CBRE Limited.

Our properties are critical to our business and the valuation demonstrates the value that we are delivering to our shareholders. It is a measure of how well we are managing our buildings and driving rental income. Furthermore, the valuation is a significant part of both our net asset value and Total Property Return, which are both key performance indicators.

Given its significance, both management and the Committee monitor the objectivity and independence of the valuers, and review the methodology and outcomes of the valuation, challenging the key assumptions and judgements.

A number of meetings are held between key management and CBRE ahead of the valuation at which the inputs and methodology of the valuation are discussed. Key discussions include:

- London commercial property market: current trends and circumstances expected to affect the market are discussed, including this year the impact of the Covid-19 pandemic.
- Comparable market evidence: recent transactions are considered and compared to assumptions made in valuing our portfolio.
- Development projects: we provide CBRE with any updates to ongoing or future schemes and discuss the assumptions CBRE have made, particularly for more complex schemes where more significant levels of judgement are required.
- Estimated rental values: the estimated rental values proposed by CBRE are discussed and reviewed, with management ensuring that these are in line with our recent rental activity.
- Property information: we provide CBRE with information on any changes to properties that may affect the valuation.
- Other inputs used by the valuers are reviewed and discussed.

The valuation is presented to the Audit Committee, who review the outcomes and challenge the methodology and assumptions.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT COMMITTEE REPORT CONTINUED

Developing a robust Viability Statement

As part of the continued development of the Group's Viability Statement, existing processes were strengthened so that risks were identified, understood and reassessed over the period. The following factors were considered:

- The Group's current financial and operational position and the current economic outlook.
- The Group's cash flows, financing headroom and financial ratios.
- Reassessment of key risks and their potential impact on the business model.

The process we undertook was as follows:

Our Viability Statement

See page 81

Our Going Concern Statement

See page 81

MATTER CONSIDERED:	ACTION TAKEN BY THE COMMITTEE
STAGE 1: **RISK IDENTIFICATION** RESPONSIBILITY: – Executive Committee. – Risk Committee.[2] – Senior management.[1]	The strategic and operational risks were reviewed to identify the principal risks to viability over the period under consideration. The risks that would impact solvency and liquidity, either individually or in combination with other risks, were considered.
STAGE 2: **RISK ASSESSMENT** RESPONSIBILITY: – Executive Committee. – Risk Committee.[2] – Senior management.[1]	For each risk, the following were considered: – Our risk appetite (the level of risk the Board is willing to take) – The controls in place to mitigate the risk – The quantum of risk
STAGE 3: **SCENARIO SENSITIVITY ANALYSIS** RESPONSIBILITY: – Executive Committee. – Senior management.[1]	For those risks identified as being severe enough to impact the viability of the Group, sensitivity analysis was performed to understand the potential impact on liquidity and financial ratios.
STAGE 4: **CONCLUSIONS** RESPONSIBILITY: – The Board. – Audit Committee. – Executive Committee. – Senior management.[1] – External Auditor.	The Audit Committee considered the findings from this analysis and presented it to the Board, which was given the opportunity to question the process and findings.

1. Heads of Department.
2. Read about the work of the Risk Committee on pages 161 to 166.

Risk management and internal control

During the year, the Board established a Board Risk Committee. Its members include Damon Russell (Chairman), Chris Girling, Rosie Shapland and Lesley-Ann Nash. The Risk Committee oversees the effectiveness of risk management throughout the organisation, advises the Board on risk appetite, tolerance and strategy and provides recommendations to the Board on the Group's approach to risk management and the effectiveness of the internal control environment (except for financial controls).

Further details of the work of the Risk Committee can be found on page 161.

The Committee remains responsible for oversight and review of controls relating to financial risks and risks relating to finance IT systems. An information flow is maintained between the Audit and Risk Committees to enable each Committee to perform their respective roles.

The Audit Committee has reviewed the Group's system of financial controls during the year with no significant failings or weaknesses identified. However, any such system can only provide reasonable and not absolute assurance against any material misstatement or loss.

Key elements of the Group's system of internal financial controls include:

- A comprehensive system of financial reporting.
- An organisational and management Board structure with clearly defined levels of authority and division of responsibilities.
- An agreed and defined framework of risk, assurance and key performance indicators measuring performance.
- A self-certification programme whereby control owners annually certify whether controls are operating effectively.

During the year, the Audit Committee focused on the extraordinary effects of Covid-19, which posed many new challenges including managing the safety of customers, employees and other stakeholders in line with Government guidelines.

Internal audit

Due to its size, the Group does not have an internal audit function, a matter reviewed by the Audit Committee during the year. The Committee has advised the Board that it considers that there is no need to establish an internal audit function but there is a plan to engage an independent third party to perform reviews of some key areas.

To supplement reviews of risk management and internal control, a programme of operational, facilities management and health and safety reviews will be undertaken across our properties by qualified senior head office personnel. Any significant findings will then be reported to the Risk Committee. Further to this, all key controls are recorded on a central register and control owners are required to certify the effectiveness of controls for which they are responsible and provide details of further actions to address any identified ineffectiveness. No significant issues were identified during the year.

In February 2020 we engaged PwC to conduct a review of the Group's internal audit and risk requirements, and their work has continued during this financial year. Further information on this and the work of the Risk Committee can be found on pages 161 to 166.

Whistleblowing Policy

See page 85

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

Risk Committee Report

The creation of the Risk Committee and our updated risk management framework further strengthens the Group's risk management approach.

Attendance at Risk Committee meetings

	Member since	Meetings attended
Damon Russell (Chairman)[1,4]	2020	**2**/2
Chris Girling[1,4]	2020	**2**/2
Rosie Shapland[2,4]	2020	**1**/1
Lesley-Ann Nash[3,4]	2021	**1**/1

1. Damon Russell and Chris Girling were appointed as the inaugural members of the Committee in September 2020.
2. Rosie Shapland was appointed in November 2020 and attended one meeting during the year.
3. Lesley-Ann Nash was appointed in January 2021 and attended one meeting during the year.
4. Biographies of Committee members, including a summary of their experience, can be found on pages 106 to 109.
5. The Company's Head of Legal & Assistant Company Secretary acts as the Secretary to the Committee and attends all meetings.

Damon Russell
Chairman of the Risk Committee

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

RISK COMMITTEE REPORT CONTINUED

Risk Committee Chairman's Letter

2 June 2021

Dear Shareholder

I am pleased to present the Risk Committee report for the financial year ended 31 March 2021. This is the first report of the Risk Committee (the 'Committee') following the establishment of the Committee in September 2020. During the year, we welcomed Rosie Shapland and Lesley-Ann Nash to the Committee following their appointments to the Board in November 2020 and January 2021 respectively.

The Report of the Risk Committee details the key activities of the Committee alongside its principal responsibilities. These can be found on pages 164 to 165.

Principal risks
During the year the Committee reviewed the Group's principal risks. See pages 63 to 70 for further details on our principal risks and uncertainties.

Review of our risk management framework
The Group engaged PwC to conduct a review of the Group's risk requirements during 2020. Following this review, the Group has updated its risk management framework and the Risk Committee was established by the Board in September 2020 to oversee the risk management framework and advise the Board on risk appetite, tolerance and strategy. The Risk Committee receives reports from the Executive Committee, which in turn receives reports from a newly formed Risk Management Group (which has replaced the Group's former operational risk committee). The Risk Management Group is chaired by the CFO and consists of nine other members from across the business, and is responsible for implementing and embedding the Group's risk policies within the business.

Further details on the Group's risk management framework can be found on page 166 of this report.

Review of our internal controls framework
During its April 2021 meeting, the Committee discussed the Group's internal controls framework and the Group's newly introduced self-certification process. As part of this process, control owners are required to annually self-certify whether the controls they are responsible for are operating effectively and, where they are not, identify the further action required. We were pleased to note that the self-certification process demonstrated that overall our key controls remain effective, and in particular that no significant weaknesses or failures had been identified.

Covid-19
Since its formation, the Committee has received regular reports and updates on the risks posed to the Group by Covid-19, and the measures the Group has taken in response. In particular, the Committee has received an overview of the risk assessments conducted by the Group, the hygiene and social distancing policies and procedures implemented and communications with staff. Further details on the Group's response to Covid-19 can be found on pages 16, 45, 50, 115 and 201.

Risk Committee effectiveness
The Committee's effectiveness was subject to review as part of the externally conducted Board evaluation conducted during March 2021. I am pleased to report that no significant issues were raised, and the review confirmed that the Risk Committee operates in an efficient and effective manner.

I hope that you find this report informative and can take assurance from the work undertaken by the Committee during the year to deliver its key responsibilities.

Russell

Damon Russell
Chairman of the Risk Committee

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
RISK COMMITTEE REPORT CONTINUED

The role of the Risk Committee

The Risk Committee oversees the effectiveness of risk management throughout the organisation, advises the Board on risk appetite, tolerance and strategy and provides recommendations to the Board on the Group's approach to risk management and the effectiveness of the internal control environment.

The Committee's Terms of Reference are available on www.workspace.co.uk/investors/about-us/governance/committee-terms-of-reference and they will be updated, as required, to reflect any changes in best practice.

How the Committee operates

During the year under review, the Committee met on two occasions, in September 2020 and in January 2021. In addition, the Committee met in April 2021 to review the 31 March 2021 Annual Report and in particular the disclosures related to risk management and principal risks.

A forward plan of agenda items informs the business to be considered at each meeting and is regularly reviewed and developed. This assists and facilitates the work of the Committee, enabling it to give thorough consideration to matters of particular importance to the Group. The Committee receives information in advance of its meetings, including information from management.

The Committee may, at its discretion, invite other people to attend its meetings. Those people and advisers listed in the table below attended meetings during the year at the request of the Committee Chairman.

Attendee	Position
Dave Benson	Chief Financial Officer
Vivienne Frankham	Head of Finance
Angus Boag	Development Director
PwC	Adviser

Meetings of the Committee are held in advance of the Board meetings to allow the Committee Chairman to provide a report of the key matters discussed, to the Board, and for the Board to consider any recommendations made.

The Audit Committee remains responsible for oversight of financial risks and controls. All members of the Risk Committee are also members of the Company's Audit Committee, enabling key information or recommendations to be easily shared between the Committees.

All of the above, along with ongoing challenge, debate and engagement, allows the Committee to discharge its responsibilities effectively.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

RISK COMMITTEE REPORT CONTINUED

THE ROLE OF THE RISK COMMITTEE CONTINUED

Risk Committee responsibilities

Risk appetite, tolerance and strategy

- Advise the Board on the Group's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Company is willing to take in order to achieve its long-term strategic objectives. See page 165 for details of how the Committee has considered risk appetite and strategy during the year.
- Advise the Board on the likelihood and impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact. See pages 63 to 70 for information on the Committee's consideration of principal risks.

Internal controls and risk management processes

- Review the adequacy and effectiveness of the Group's overall risk assessment processes that inform the Board's decision-making, including the design, implementation and effectiveness of those processes.
- Review the effectiveness of the Group's internal controls (with the exception of the internal financial controls which remain the responsibility of the Audit Committee) and risk management systems.
- Review whistleblowing arrangements whereby employees may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, to receive assurance that there are proportionate and independent procedures in place. See page 85 for more information on our Whistleblowing Policy.
- Review the Group's procedures for preventing and/or detecting fraud.
- Review the Group's procedures for the prevention and detection of bribery and monitor the reports generated by such procedures. See page 84 for more information on our Anti-Bribery Policy.

Governance, best practice and development

- Keeping up to date with external developments relating to control environments.
- Keeping up to date with regulatory and legislative matters relevant to the Group.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
RISK COMMITTEE REPORT CONTINUED

Key matters considered by the Committee during the year

SEPTEMBER 2020	JANUARY 2021
RISK APPETITE, TOLERANCE AND STRATEGY	
– Considered and discussed the risks to the Group of the Covid-19 pandemic and the actions the Group was taking in response. See pages 16, 45, 50, 115 and 201 for further details of the Group's response to Covid-19.	– Considered and discussed the risks to the Group of the Covid-19 pandemic and the actions the Group was taking in response. See pages 16, 45, 50, 115 and 201 for further details of the Group's response to Covid-19. – Reviewed and discussed the Group's principal risks and any emerging risks. See pages 63 to 70 for further details on the Group's principal risks. – Considered key contractor and supplier risks and the actions in place to mitigate them.
INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS	
– Reviewed and approved the Group's updated risk management framework. See page 166 for further details. – Reviewed the Group's Anti-Bribery Policy and procedures. See page 84 for further details.	– Reviewed the Group's risk information and reporting procedures. – Reviewed the Group's procedures for detecting and preventing fraud.
GOVERNANCE	
– Noted the establishment of the Committee and its Terms of Reference. – Agreed the proposed meeting schedule of the Committee. – Agreed the forward plan of agenda items. – Discussed information flow from the Committee to the Board.	– Reviewed an update on the Group's governance, legal and compliance risks. See page 84 to 85 for further details on the Group's approach to key compliance areas.

The Committee also met in April 2021, where amongst other matters it discussed the link between the Group's principal risks and its viability and the Group's internal controls framework and the process by which control owners self-certify that the controls they are responsible for are operating effectively.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

RISK COMMITTEE REPORT CONTINUED

Our risk management framework

BOARD
- Sets the Group's overall risk appetite, tolerance and strategy.
- Receives advice and recommendations from the Risk Committee (and the Audit Committee in respect of financial risks).

RISK COMMITTEE
- Oversees the risk management framework
- Advises the Board on risk appetite, tolerance and strategy.
- Oversees all risks except financial risks and risks relating to financial IT systems.

AUDIT COMMITTEE
- Oversees internal financial controls.
- Oversees financial risks and risks relating to financial IT systems.

EXECUTIVE COMMITTEE
- Oversees and manages the Group's day-to-day risk management procedures.
- Reports to the Risk Committee on the operation and effectiveness of controls.

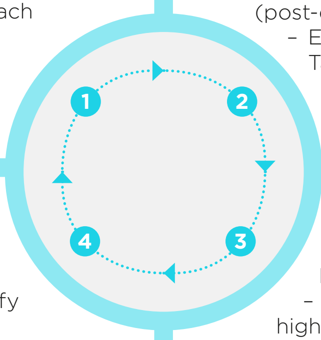
RISK MANAGEMENT GROUP
- Responsible for the implementation and embedding of risk management activities.
- Reviews and challenges the risk information provided by Risk Owners.
- Reports to Executive Committee, although the Risk Committee has the power to request attendance or reports from the Risk Management Group directly if it is felt this is necessary.

RISK OWNERS
- Each risk identified by the Group is assigned a Risk Owner.
- Risk Owners are responsible for monitoring, managing and reporting on their risks, as well as identifying any emerging risks.

OUR RISK PROCESS

1. RISK IDENTIFICATION
- Risks are identified when projects are being considered or through being raised organically by members of staff.
- Identified risks are captured in Risk Registers.
- A Risk Owner is assigned to each risk and has responsibility for assessing and monitoring that risk.

2. RISK ASSESSMENT
- Each risk is assessed and scored according to the potential impact and likelihood of it materialising.
- Each risk is given an Inherent Risk Score (pre-controls) and a Residual Risk Score (post-existing controls).
- Each risk is also assigned a Target Risk Score representing the Group's risk tolerance for that risk.



3. RISK RESPONSE
- Each Residual Risk Score is compared to its Target Risk Score.
- If the Residual Risk Score is higher than the Target Risk Score, action is taken to reduce it towards the target.
- Controls are assigned an owner who is responsible for monitoring whether the controls operate effectively.

4. RISK MONITORING AND REPORTING
- Risks are regularly monitored by the Risk Owners.
- Control owners regularly certify that their controls continue to operate effectively.
- The Risk Management Group oversees this activity and escalates significant changes and new risks to the Executive Committee, Risk Committee and/or Board as appropriate.

Internal audit

Due to its size, the Group does not have an internal audit function, a matter which is kept under review by the Audit Committee. However, the Executive Committee mandates a programme of operational, facilities management and health and safety internal audits at its properties, carried out by qualified senior head office personnel on a rotational basis. Any significant findings are reported to the Risk Committee.

Our principal risks

See pages 63 to 70 for information on the Group's principal risks.

REMUNERATION

Suzi Williams
Chairman of the Remuneration Committee

At Workspace, we incentivise our people through competitive remuneration aligned with the experience of our stakeholders and with the Workspace culture. This ensures delivery of our strategy. This report lays out in more detail the approach we have taken in this unprecedented year.

WORKSPACE'S KEY REMUNERATION PRINCIPLES:

- **Alignment with our strategy and purpose;**
- **A focus on performance;**
- **Transparency and simplicity for the benefit of all stakeholders; and**
- **Consistency of application.**

REMUNERATION CONTINUED

Committee membership

The Committee compromises of Non-Executive Directors and is chaired by Suzi Williams. Details of individual attendance at the meetings held during the year are set out below.

Director	Independent	Number of meetings attended
Suzi Williams (Chairman)	Yes	8/8
Stephen Hubbard	Yes	8/8
Rosie Shapland[1]	Yes	1/1
Lesley-Ann Nash[2]	Yes	1/1

1. Rosie Shapland was appointed as a Non-Executive Director on 6 November 2020.
2. Lesley-Ann Nash was appointed as a Non-Executive Director on 1 January 2021.
3. See page 105 for members of the Committee during the year and their attendance at Remuneration Committee meetings.

Complying with the Code Principles

PRINCIPLE P

Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.

Remuneration Committee ('Remco') seeks to ensure that the policy:

- Is tightly aligned to strategy and to achieving the stretching targets which demonstrate delivery of Workspace's long-term strategy.
- Is based on pay for performance and links to Group performance through variable pay instruments.
- Supports an effective pay for performance culture which allows us to retain, motivate and attract highly skilled Directors, who have a clear purpose and are of the necessary calibre to execute the Company's strategy.
- Promotes the long-term ownership culture by encouraging the acquisition and retention of shares amongst the Executive Directors.
- Achieves a strong alignment between Executive and stakeholder interests.

PRINCIPLE Q

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.

As we have noted over recent years, four elements – clear communication, trust, transparency and simplicity – are critical to the Remco's commitment to supporting Workspace's ability to deliver strong and consistent long-term value for all shareholders. The last Remuneration Policy was approved by shareholders in July 2020, with 99.5% of shareholders in support. Ahead of this, the Committee built on the foundations of our previously well-received Remuneration Policy, seeking to strengthen our strong and well-respected approach to governance to allow us to reflect the changes in the new Code. Remco focused on the development and refinement of the new Remuneration Policy, as well as the implementation of the current policy. No Director was present for any discussions that related directly to their own remuneration.

PRINCIPLE R

Remuneration policies and practices Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

As we have noted over recent years, as a Committee, we consider whether to apply discretion when assessing remuneration outcomes for Executive Directors. Before making any pay decisions, we reflect on both the underlying financial and wider business performance of the Company as well as the performance of Executive Board Directors' individual objectives and the demonstration of leadership qualities and adherence to our values. The 2020 Policy provides us with the maximum flexibility in applying any discretion which we may be called upon to exercise in the current times. We stress that Remco has carefully considered all remuneration decisions in the context of the wider environment Covid-19 crisis and will continue to monitor the business conditions and exercise judgement as appropriate.

REMUNERATION CONTINUED

Chairman's Remuneration Committee Letter

2 June 2021

Dear Shareholder

On behalf of the Board, I am pleased to introduce our 2021 Remuneration Report.

'Our focus is on maintaining a remuneration approach that motivates our leadership and supports our strategic objectives, thereby ensuring high performance for all our stakeholders.'

This is my first report to shareholders as Chairman of the Committee, having taken over from Maria Moloney on 1 January 2021. I would like to take this opportunity to thank Maria for her contribution to the Committee across her long tenure and to welcome Rosie Shapland and Lesley-Ann Nash who both joined the Committee during the year.

We were pleased to receive strong support for our remuneration policy at the 2020 AGM, with 99.5% of votes received being in favour. In line with our commitment to maintaining a credible and transparent remuneration framework, we contacted our largest shareholders, representing over 68% of our issued share capital, as part of that policy review.

The following pages set out the detail of how the Committee applied the approved policy, and how we intend to apply it in the coming financial year. It explains the key activities of the Committee and importantly, explains how we have addressed remuneration in these unprecedented times. At all times the Committee was, and continues to be, guided by its key principles detailed on page 167.

The Remuneration Report will be put to an advisory vote at the 2021 AGM, and below I have provided some of the key highlights, as well as important context.

'The business has shown a determined and consistent commitment to supporting our staff, our customers, and our broader stakeholders during Covid-19.'

There can be no doubt that 2020 was an exceptional year with the impact of Covid-19. Rarely has the world seen such widespread disruption to normal patterns of life.

Led by the Board and Executive Committee, Workspace's approach has been to protect the health (including mental health) and financial well being of employees through this period. This is discussed in more detail on page 28. We are proud that no employees were furloughed during this pandemic; pay and bonus arrangements continued to operate as usual and the business did not make use of any Government backed loans. For 2021 we have awarded a 2% pay rise across the business.

Company performance 2020/21
'The Executive Team responded swiftly and decisively to changing economic and operational circumstances as a result of Covid-19.'

Through the challenges of Covid-19, the Company and the Executive Team reacted swiftly and decisively in a fast changing environment, showing pragmatism and strong leadership. In unprecedented conditions, the team at Workspace pulled together and responded as a robust and resilient team, providing support and flexibility to our people and customers throughout the disruption. As we emerge from the crisis, this has positioned the business strongly for recovery.

While the past year has presented its challenges, I am proud of the way our Executive Team and employees have risen to meet those challenges. It is a real demonstration of the strength of the unique Workspace culture, brand and values.

The immediate priority as Covid-19 emerged was to protect the health and safety of our people and customers. This priority of course is ongoing. From a business perspective, we focused on preserving our strong balance sheet, minimising the impact on our operations and ensuring the Company had adequate liquidity.

Whilst in the year to 31 March 2021, net rental income fell 33% to £81.5m, this was partly due to the £19.9m of rent discounts we offered to our customers in the first quarter. This resulted in trading profit after interest of £38.7m. Please refer to page 10 for more details.

Adjusted NAV per share was £9.38. The balance sheet remains in good shape with loan-to-value ratio of 24%. The Board is recommending a final dividend of 17.75p.

REMUNERATION CONTINUED

There has also been tremendous progress in our ESG objectives and Stephen Hubbard, our Company Chairman, discusses this in more detail on page 7 of his report.

Remuneration outcomes in 2020/21
During this challenging year, the Committee felt it important to consider Remuneration within the context of the broader stakeholder and community experience. The Committee took into account share price movements and dividend to shareholders when making decisions on executive pay, and we have been consistently mindful of the impact on our stakeholders more widely at this exceptional time.

Some 76% of the executive directors' remuneration was linked to performance via the annual bonus plan and LTIP, with the metrics used in those plans, as detailed on pages 176 and 177 of this report.

After very careful consideration, and taking into account all relevant factors as described and detailed throughout this annual report, the Committee took the following decisions in respect of remuneration for the Executive Directors:

Annual Bonus 2020/21
The Committee considered in depth the outcomes under the annual bonus, noting the significant economic, business and social challenges this year. We did this in the context of a business now seeing a recovery in the share price and growth in customer demand after an extraordinarily difficult period.

To reflect this difficult environment for our customers and stakeholders, the Board determined it would be inappropriate to award the customer satisfaction element of the bonus. The Board noted the substantial financial support provided to Workspace customers during this period as an example of the business Doing the Right Thing. On balance however, the outcome under this measure is deemed to be nil.

The Committee noted that in spite of turbulence, profit outcomes were met. The formulaic outcome under this element of the targets was 100% of maximum.

The Committee agreed that the leadership team maintained focus on key strategic priorities throughout 2020. This included significant progress on our ESG agenda and the issuance of our first green bond. This ensured delivery against the strategic objectives of the bonus such that personal performance objectives were largely met. Formulaic assessment of this element of the bonus was 80% of maximum (more detail is provided on pages 176 to 177).

Finally, the outcome under the relative Total Property Return element was nil.

The formulaic outcome is therefore 66% of maximum (79% of salary) for the Executive Directors.

In determining the appropriateness of the formulaic bonus outcome the Committee considered at length the experience of shareholders over the period. In making the final decisions, it was deemed appropriate to take into account both this and the fall in year on year trading profits. The Committee was also conscious of the need to appropriately recognise the achievements of the management team who have responded in an outstanding way to the challenges of 2020/21, such that the business is strongly placed for post-pandemic opportunities and growth.

Taking all of the above into account, the Committee has used its discretion to apply a 50% reduction to the overall bonus out-turn. This reduction reflects the profit and dividend reduction in the year and acknowledges the broader difficulties experienced by all of our stakeholders at this unprecedented time. This results in a bonus outcome for the Executive Directors of 33% of maximum (39.5% of salary).

Of the bonus award, 33% will be deferred in shares for each of Graham Clemett and Dave Benson, for three years under the Deferred Bonus Plan.

We believe this represents a balanced final position, both reflecting the broad stakeholder experience and acknowledging the extraordinary leadership and achievements of the Workspace team during this most difficult of years.

REMUNERATION CONTINUED

Vesting of 2018 LTIP

The LTIP award granted to Graham Clemett in 2018 was subject to performance conditions measured over the three financial years to 31 March 2021. The vesting of 50% of this award was subject to Total Shareholder Return (TSR) performance relative to FTSE 350 real estate companies, with the remaining 50% subject to Total Property Return (TPR) versus IPD Benchmark. Having tested the performance conditions, none of the 2018 LTIP will vest.

2021 Remuneration

Base Salary

Executive Directors will receive a basic salary increase of 2%, in line with the level awarded to the wider workforce, and will take effect on 1 April 2021. This is in line with the Remuneration Policy commitment that salaries will normally only increase in line with the wider workforce.

Bonus

Targets for the annual bonus are set at the beginning of the year. The measures of the bonus for the financial year ended 2021 can be found on page 173.

2021 LTIP

For our 2021 LTIP award, due to be granted in June, the Committee has decided to retain the same performance conditions and targets and to use the share price immediately prior to the date of grant to determine the number of shares awarded. The Committee considered the grant level in the context of share price movements and the risk of windfall gains, but given the limited difference in share price since the last grant, decided that no adjustment was warranted on this basis. As with previous awards, a performance underpin applies to this award which allows the committee to reduce vesting if performance is inconsistent with the overall performance of the business, individual performance or wider considerations.

Employee Remuneration

'Alignment with wider workforce considerations and approach to fairness.'

In recognition of their hard work in this difficult year, the average salary increase for employees was 2%. In addition, the vast majority of employees also received bonus awards.

Remuneration Committee Evaluation

This year's evaluation was externally facilitated. It was concluded that the Committee continued to operate well, with further details provided on page 146.

Through this report we seek to communicate clearly the importance of a strategic remuneration approach in delivering high performance at Workspace, not just in relation to leadership, but also with regard to broader employee pay and performance. Strong alignment between stakeholders is important to us in delivering a structure that drives long term success for management and shareholders alike. I hope that the following Report provides this clarity and demonstrates our commitment to the highest standards of governance and transparency in this area.

Looking forward

There continues to be a strategic focus on ESG. This year we committed to becoming a net zero carbon business by 2030 and published our pathway to achieving this goal in line with the our approved Science Based Targets and a commitment to drive down emissions of both operational and embodied carbon. We also published a green finance framework during the year and successfully raised £300m through a green bond to support our green projects. We will be looking to integrate our ESG strategy and priorities, more fully, into our variable remuneration framework going forward.

Finally, I want to thank you for your ongoing support in this challenging year.

Suzi Williams
Chair of the Remuneration Committee

The work of the Remuneration Committee

We met as a Committee 8 times during the year. We believe it is important that the Committee keeps up-to-date on an ongoing basis during the year to enable timely discussions where business decisions may affect remuneration.

Summary of Committee's activities during the year

Committee governance:
- Received an update on current executive pay environment.
- Considered the incentive operating guidelines for Executive Board Directors.
- Received the results of the internal performance evaluation of the Remuneration Committee.
- Agreed updates to Committee Terms of Reference.
- Approved the Directors' Remuneration Report for 2020/21.
- Reviewed the operation of Policy in 2019/20.
- Received an update on Investment Association principles and other investor body guidelines.

Remuneration framework for employees:
- Received an update on TSR performance for 2018, 2019 and 2020 LTIP awards.
- Review of wider workforce remuneration arrangements and employment conditions throughout the Company to ensure that they support the Company's purpose.
- Received an update from Stephen Hubbard, as the designated Non-Executive Director for Employee Engagement, who, during the year, talked with a wide range of employees to listen to their views on a wide range of matters.

Committee Performance Evaluation
- The external evaluation of the Board and its committees was concluded in March 2021. Further details can be found on page 146. No significant issues were identified.

Executive and senior management remuneration framework:
- Reviewed the shareholding guidelines for Executive Board Directors.
- Executive Directors' remuneration review.
- Annual bonus outcomes for 2019/20.
- Setting of performance metrics and targets for 2020/21.
- Reviewed the vesting criteria for the 2017 LTIP.
- Proposed awards under the 2020 Long Term Incentive Plan.
- Considered the impact of Covid-19 on remuneration outcomes.
- Monitoring and assessing targets for 2020/21.

Support for the Committee
During the year, we sought internal support from the CEO, whose attendance at Committee meetings was by invitation from the Chairman, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the senior management team. The Company Secretary attended each meeting as Secretary to the Committee. No Director was present for any discussions that related directly to their own remuneration.

REMUNERATION CONTINUED

Remuneration at a glance

We focus our incentives on supporting the right behaviours with all staff working in the best interests of the Company and all stakeholders.

REMUNERATION KEY

- Base salary
- Pension
- Benefits
- Annual bonus
- LTIP

THE FIXED AND VARIABLE COMPONENTS OF WORKSPACE EXECUTIVE REMUNERATION

FIXED COMPONENTS OF EXECUTIVE PAY

Base salary

Reflecting market value of the role and an individual's experience, performance and contribution.

Pension

Market competitive pensions.

Benefits

Market competitive benefits.

VARIABLE COMPONENTS OF EXECUTIVE PAY

Annual bonus

Reinforcing and rewarding delivery of annual strategic business priorities, based on performance measures relating to both Company and individual performance.

	% of salary
Trading profit after interest	60%
Total Property Return (TPR) Versus IPD Benchmark	24%
Customer satisfaction	12%
Personal performance	24%
Total	120%

Long Term Incentive Plan (LTIP)

Rewarding and aligning to the delivery of sustained long-term sector outperformance and aligning the interests of participants with those of shareholders.

	% of award
Total Shareholder Return (TSR), relative to FTSE 350 property companies	50%
Total Property Return (TPR), versus IPD Benchmark	50%
Total	100%

REMUNERATION CONTINUED
REMUNERATION AT A GLANCE CONTINUED

Rewards at all levels

Workspace's key objectives are reflected in remuneration arrangements operating at all levels within the Company.

All staff in the Company are eligible to participate in the Company's bonus scheme, all-employee share schemes, pension scheme, life assurance arrangements and medical insurance benefits.

Additionally, all employees participate in an annual bonus plan. All members of the Executive Committee and some senior staff are eligible to participate in the Company's LTIP. During the year, we extended LTIP participation to a wider group of employees to further reinforce the strong performance culture. Executive Committee members are also required to adhere to the Company's shareholding guidelines.

When making remuneration decisions for the Executive Directors, the Committee considers pay and employment conditions elsewhere in the Group. The Committee receives regular updates from the Executive Directors on employee feedback. The Committee also monitors bonus payout and share award data. The diagram to the right demonstrates how Workspace's key objectives are reflected consistently in plans operating at all levels within the Company.

THE FOLLOWING DIAGRAM DEMONSTRATES HOW WORKSPACE'S PLANS OPERATE AT ALL LEVELS WITHIN THE COMPANY.

Number of people this applies to as at 31 March 2021

EXECUTIVE COMMITTEE

8

Relevant elements of pay:
- Fixed
- SAYE and SIP
- Annual bonus
- LTIP
- Shareholding guidelines for Executive Directors
  Supports alignment of Executive's interest with shareholders

EXECUTIVE COMMITTEE & CERTAIN EMPLOYEES

45

Relevant elements of pay:
- Fixed
- SAYE and SIP
- Annual bonus
- LTIP
  Reinforces delivery of long-term sector outperformance

ALL EMPLOYEES

223

Relevant elements of pay:

Annual bonus
All employees participate in annual bonuses. Opportunities and performance conditions are tailored to reflect an individual's role and responsibilities.

SAYE and SIP
Encourages employee engagement and reinforces our strong performance culture. Enables all employees to share in the long-term success of the Group and aligns participants with shareholder interests.

Fixed
Salaries are set to reflect market value of the role and aid recruitment and retention. All employees are eligible for a 2:1 match on employee pension contributions of 3% or 5% of salary and receive a combination of benefits relevant for their role.

REMUNERATION CONTINUED

REMUNERATION AT A GLANCE CONTINUED

How the variable components of executive remuneration align to our strategy

ANNUAL BONUS

Link to strategy
The component measures provide a good balance of rewarding against the three pillars of our strategy:
- Customer-led growth
- Operational excellence
- Doing the Right Thing

which are the foundations of Workspace's future growth. Some measures support some pillars more than others, as indicated by the pillar or pillars noted under each measure.

Measures shown as % of salary

60%
Trading profit after interest

LINK TO STRATEGY
Customer-led growth
Operational excellence

24%
Personal performance

LINK TO STRATEGY
Doing the Right Thing

24%
Total Property Return (TPR) versus IPD Benchmark

LINK TO STRATEGY
Operational excellence

12%
Customer satisfaction

LINK TO STRATEGY
Customer-led growth

LTIP

Link to strategy
The balance of the two measures is well aligned to our strategy of driving income growth and enhancing shareholder value over the longer term.

Measures shown as % of award

50%
Total Shareholder Return (TSR), relative to FTSE 350 property companies

LINK TO STRATEGY
Customer-led growth
Operational excellence
Doing the Right Thing

50%
50% Total Property Return (TPR), versus IPD Benchmark

LINK TO STRATEGY
Operational excellence

REMUNERATION CONTINUED
REMUNERATION AT A GLANCE CONTINUED

Graham Clemett
CHIEF EXECUTIVE OFFICER

SINGLE FIGURE FOR 2020/21 (£000) £764.4

FIXED COMPONENTS OF EXECUTIVE PAY

BASE SALARY:
£494,090

PENSION:
£49,410

BENEFITS:
£21,449

More information on page 178

VARIABLE COMPONENTS OF EXECUTIVE PAY

OUTCOMES UNDER THE 2020/21 ANNUAL BONUS

	THRESHOLD (0% PAYABLE)	MAXIMUM (100% PAYABLE)	FORMULAIC OUTCOME (% OF SALARY)		CEO ACTUAL £000
TRADING PROFIT AFTER INTEREST	£34.6M	£38.6M ACTUAL: £38.7M	60%	60%	£296.4
TOTAL PROPERTY RETURN	BENCHMARK	BENCHMARK +2% ACTUAL: BENCHMARK -3.78%	0%	24%	£0
CUSTOMER SATISFACTION[1]	72%	80% ACTUAL: N/A	0%	12%	£0
PERSONAL PERFORMANCE	0%	MAX: 100% ACTUAL: 80%	19%	24%	£93.8
SUBTOTAL			79%	120%	£390.2
DISCRETIONARY 50% REDUCTION APPLIED TO OUTTURN					£195.1
BONUS OUTTURN					£195.1

OUTCOMES UNDER THE 2018 LTIP PERFORMANCE MEASURES OVER THE PERIOD 1 APRIL 2018 TO 31 MARCH 2021

	THRESHOLD (0% PAYABLE)	MAXIMUM (100% PAYABLE)	OUTCOME (% OF AWARD)		CEO ACTUAL £000
TOTAL SHAREHOLDER RETURN (TSR) RELATIVE TO FTSE 350 PROPERTY COMPANIES	MEDIAN	UPPER QUARTILE ACTUAL: 37TH PERCENTILE	0%	50%	£0 OF WHICH SHARE PRICE: £NIL
TOTAL PROPERTY RETURN (TPR) VERSUS IPD	MEDIAN	UPPER QUARTILE ACTUAL: 43RD PERCENTILE	0%	50%	£0 DIVIDEND EQUIVALENT OF £NIL
TOTAL			0%	100%	£0

1. Further details can be found on page 170.

REMUNERATION CONTINUED
REMUNERATION AT A GLANCE CONTINUED

Dave Benson
CHIEF FINANCIAL OFFICER

SINGLE FIGURE FOR 2020/21 (£000) £499.8

FIXED COMPONENTS OF EXECUTIVE PAY

BASE SALARY:
£340,000

PENSION:
£17,973

BENEFITS:
£0

VARIABLE COMPONENTS OF EXECUTIVE PAY

OUTCOMES UNDER THE 2020/21 ANNUAL BONUS

	THRESHOLD (0% PAYABLE)	MAXIMUM (100% PAYABLE)	FORMULAIC OUTCOME (% OF SALARY)		CFO ACTUAL £000
TRADING PROFIT AFTER INTEREST	£34.6M	£38.6M ACTUAL: £38.7M	60%	60%	£204.0
TOTAL PROPERTY RETURN	BENCHMARK	BENCHMARK +2% ACTUAL: BENCHMARK -3.78%	0%	24%	£0
CUSTOMER SATISFACTION[1]	72%	80% ACTUAL: N/A	0%	12%	£0
PERSONAL PERFORMANCE	0%	MAX: 100% ACTUAL: 80%	19%	24%	£64.6
SUBTOTAL			79%	120%	£268.6
DISCRETIONARY 50% REDUCTION APPLIED TO OUTTURN					£134.3
BONUS OUTTURN					£134.3

1. Further details can be found on page 170.

REMUNERATION CONTINUED

Our Remuneration Policy

In this section we provide a summary of the key elements of the Remuneration Policy for Executive Directors approved by Shareholders at our 2020 AGM on 9 July. In addition, we have set out how the Policy was operated in 2020/21 (which was as intended) and how it is intended to be operated in 2021/22.
You can find the full Policy at www.workspace.co.uk/investors.

REMUNERATION POLICY TABLE

The table below describes the Policy in relation to the components of remuneration for Executive Board Directors.

FIXED COMPONENTS OF EXECUTIVE PAY

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	OPERATION IN THE YEAR ENDED 31 MARCH 2021 (2020/21)	OPERATION IN THE YEAR ENDING 31 MARCH 2022 (2021/22)
Base salary To reflect market value of the role and an individual's experience, performance and contribution.	Salaries are normally reviewed annually. Salary levels take account of: – Role, performance and experience. – Business performance and the external economic environment. – Salary levels for similar roles at relevant comparators. – Salary increases across the Group.	Increases are applied in line with the outcome of the review. There is no prescribed maximum. Increases for Executive Board Directors will typically be in line with those of the wider workforce.	**Graham Clemett (CEO)** £494,090 **Dave Benson (CFO)** £340,000	**Graham Clemett (CEO)** £503,970 (effective 1 April 2021) **Dave Benson (CFO)** £346,800 (effective 1 April 2021)
Pension To provide market competitive pensions.	Directors participate in a defined contribution pension scheme or may receive a cash allowance in lieu of pension contribution.	Up to 10% of salary. For individuals with less than a year's service with Workspace, this will be 6% of salary.	**Graham Clemett (CEO)** 10% of salary. **Dave Benson (CFO)** 6% of salary.	Dave Benson's contribution will increase to 10% of salary to reflect one year's service, in line with our Policy.
Benefits To provide market competitive benefits.	Benefits typically include car allowance, private health insurance, and death in service cover. Where appropriate, other benefits may be offered including, but not limited to, allowances for relocation. In addition, Directors are eligible to participate in all-employee share plans, currently the SAYE and Share Incentive Plan.	Benefits may vary by role and individual circumstance, and are reviewed periodically. There is no overall maximum. Include car allowance, private health insurance and other benefits.	Includes car allowance, private health insurance and other benefits.	No change.

REMUNERATION CONTINUED

OUR REMUNERATION POLICY CONTINUED

REMUNERATION POLICY TABLE CONTINUED

VARIABLE COMPONENTS OF EXECUTIVE PAY

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE METRICS	OPERATION IN THE YEAR ENDED 31 MARCH 2021 (2020/21)	OPERATION IN THE YEAR ENDING 31 MARCH 2022 (2021/22)
Annual bonus To reinforce and reward delivery of annual strategic business priorities, based on performance measures relating to both Group and individual performance. Bonus deferral provides alignment with Shareholder interests.	A portion of the annual bonus is deferred into shares for a period of three years. The deferral is 33% of bonus earned. Dividend equivalents may be accrued on deferred shares. The Committee may apply malus and clawback in circumstances of gross misconduct, material misstatement of the Group's results, an error in calculation, serious reputational damage, and corporate failure up to the end of the deferral period.	The maximum bonus potential for Executive Board Directors is 120% of salary p.a.	Performance is measured relative to financial, operational, strategic and individual objectives in the year aligned with the Company's strategic plan. Performance measures and weightings are reviewed each year to ensure they remain appropriate and reinforce the business strategy. At least 60% of the total bonus will be based on financial measures. Bonus awards are at the Committee's discretion and the Committee will consider the Company's performance in the round. The Committee may override the formulaic bonus outcome within the limits of the plan where it believes the outcome is not reflective of performance, to ensure fairness to both shareholders and participants.	**MAXIMUM OPPORTUNITY:** **Graham Clemett (CEO)** Up to 120% of salary. **Dave Benson (CFO)** Up to 120% of salary. - Trading profit (60%). - Total Property Return (TPR) (24%). - Customer satisfaction (12%). - Personal performance (24%). **EXECUTIVE DIRECTORS AWARDED BONUSES OF:** **Graham Clemett (CEO)** 39.5% of salary. **Dave Benson (CFO)** 39.5% of salary. Deferral of 33% of bonus earned. A discretionary 50% reduction was applied to the formulaic outturn. See pages 187 to 190 for further details on outcomes.	**MAXIMUM OPPORTUNITY:** **Graham Clemett (CEO)** Up to 120% of salary. **Dave Benson (CFO)** Up to 120% of salary. - No change to type of performance conditions or the respective weighting or maximum bonus potential. - The Committee is of the opinion that, given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, discussing precise targets for the Annual Bonus plan in advance would not be in shareholder interests. - Actual targets, performance achieved and awards made will be published at the end of the financial year so Shareholders can fully assess the basis for any pay-outs under the annual bonus.

REMUNERATION CONTINUED
OUR REMUNERATION POLICY CONTINUED

REMUNERATION POLICY TABLE CONTINUED

VARIABLE COMPONENTS OF EXECUTIVE PAY CONTINUED

PURPOSE AND LINK TO STRATEGY	OPERATION	OPPORTUNITY	PERFORMANCE METRICS	OPERATION IN THE YEAR ENDED 31 MARCH 2021 (2020/21)	OPERATION IN THE YEAR ENDING 31 MARCH 2022 (2021/22)
Long Term Incentive Plan (LTIP) To reward and align to the delivery of sustained long-term sector outperformance and to align the interests of participants with those of Shareholders.	The Committee may grant annual awards of Performance Shares which vest after three years, subject to performance conditions. Vested shares are subject to a further two-year holding period. The Committee has discretion to apply malus and clawback to awards (circumstances as listed in the Annual Bonus row above) up to the end of the holding period. Dividend equivalents may be accrued on shares in respect of the performance and holding period.	Normal maximum award of up to 200% of salary per annum. An award of 300% of salary per annum may be made in exceptional circumstances.	Awards will be based on a combination of financial, share price and strategic measures aligned with the Company's strategic plan. A performance underpin will apply which allows the Committee to reduce vesting if performance is inconsistent with the overall performance of the business. The Committee may, in the context of the underlying business strategy, use different measures and/or vary the weightings of the measures. The Committee would consult with major shareholders prior to making any significant changes.	**GRANT SIZES FOR:** **Graham Clemett (CEO)** 200% of salary. **Dave Benson (CFO)** 200% of salary. **PERFORMANCE CONDITIONS WERE:** – 50% Total Shareholder Return (TSR) relative to FTSE 350 property companies. – 50% Total Property Return (TPR) versus IPD. The 2018 LTIP vested in the year at 0% of the award. See page 191 for further details on outcomes.	**GRANT SIZES FOR:** **Graham Clemett (CEO)** 200% of salary. **Dave Benson (CFO)** 200% of salary. No change to maximum LTIP opportunities or the performance conditions.

PURPOSE AND LINK TO STRATEGY	OPERATION	CURRENT SHAREHOLDINGS*
Shareholding requirement	Shareholding guideline for Executive Directors of 200% of salary. Post-cessation shareholding requirement of 200% of salary for two years post-departure. In the event that a leaver has not met the relevant shareholding requirement at the point of cessation of employment, they would be required to retain their full pre-cessation shareholding for the two-year period.	**CEO** 208% of salary. **CFO** 39% of salary.

* Based on a share price of £6.8176 being the average share price over the year to 31 March 2021 and salaries of £494,090 and £340,000 for Graham Clemett and Dave Benson respectively.

REMUNERATION CONTINUED

OUR REMUNERATION POLICY CONTINUED

Possible payouts under our Policy

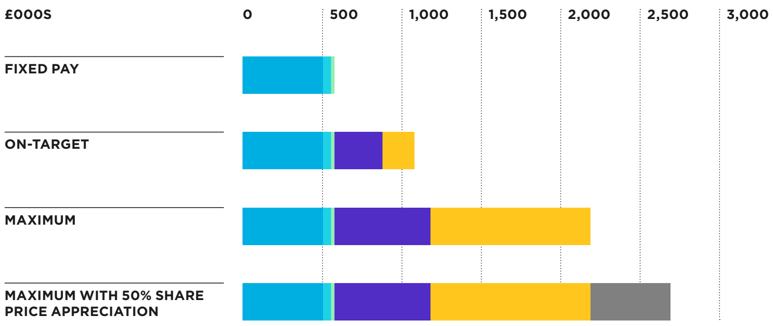
Based on our Remuneration Policy approved by shareholders in 2020, we set out to the right scenarios for the potential remuneration to be earned by our Executive Directors under the Policy for various performance assumptions.

A high proportion of the Executive Board Directors packages are made up of shares, supporting the alignment of Executive pay with the interests of our shareholders. The increased value in remuneration from share price appreciation is beneficial for both Executive Directors and shareholders.

SINGLE FIGURE SCENARIO

Graham Clemett, CEO

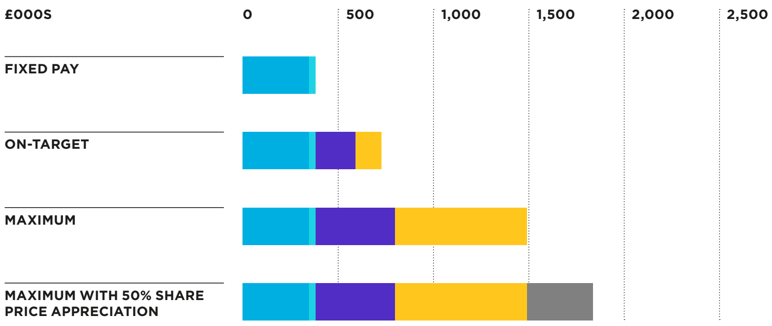
Salary	Salary as at 1 April 2021.
Pension	Current contribution rate of 10% of salary.
Benefits	As provided in the single figure table on page 176.
Annual bonus	**Minimum** – no bonus payable; **On-target** – 50% of maximum potential bonus; **Maximum** – maximum potential bonus.
LTIP	**Minimum** – no LTIP vesting; **On-target** – 20% of maximum (threshold vesting); **Maximum** – maximum LTIP vesting.
Share price growth	Impact of 50% share price appreciation over three years (on the LTIP).



SINGLE FIGURE SCENARIO

Dave Benson, CFO

Salary	Salary as at 1 April 2021.
Pension	Current contribution rate of 10% of salary.
Benefits	As provided in the single figure table on page 177.
Annual bonus	**Minimum** – no bonus payable; **On-target** – 50% of maximum potential bonus; **Maximum** – maximum potential bonus.
LTIP	**Minimum** – no LTIP vesting; **On-target** – 20% of maximum (threshold vesting); **Maximum** – maximum LTIP vesting.
Share price growth	Impact of 50% share price appreciation over three years (on the LTIP).



REMUNERATION CONTINUED

Annual report on remuneration

What we paid our Directors in 2020/21

TOTAL TARGET COMPENSATION COMPARED TO OUR PEERS

Chart A below shows the relative position of target total compensation for our Executive Directors compared to our peers. When we set the target total compensation for the Executive Directors, one of the factors the Committee considers is the competitive market for our Executive Directors, which we believe is the FTSE 250 and FTSE 350 Real Estate Sector, and the size of the Company compared to these peers. The Committee has been pleased to report above target performance against market benchmark has been achieved over recent years.

CHART A (i)
GRAHAM CLEMETT – CHIEF EXECUTIVE OFFICER

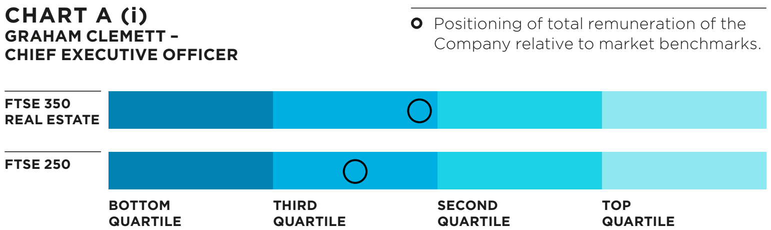
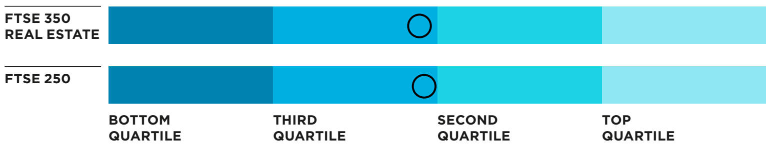


CHART A (ii)
DAVE BENSON – CHIEF FINANCIAL OFFICER



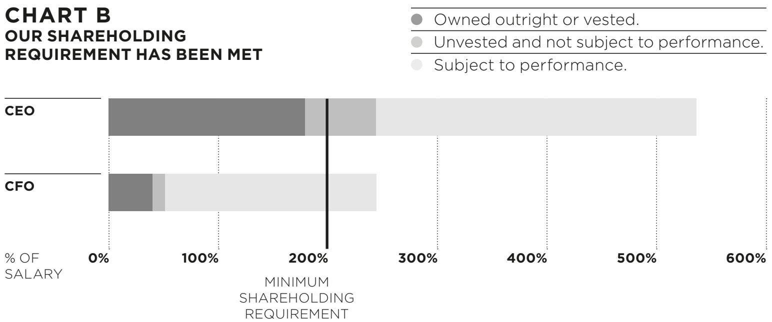
OUR SHAREHOLDING REQUIREMENTS

Our Executive Directors are encouraged to hold a high number of shares in order to align their interests to those of the Shareholders, and to encourage a long-term view of the sustainable performance of the Company.

As such, our Directors are impacted by the share price over the year in the same way as our Shareholders.

Chart B below shows that, in the year, the CEO met his minimum shareholding requirements. The CFO joined in April 2020 and is building his shareholding.

CHART B
OUR SHAREHOLDING REQUIREMENT HAS BEEN MET



Based on a share price of £6.8176 being the average share price over the year to 31 March 2021 and salaries of £494,090 and £340,000 for Graham Clemett and Dave Benson respectively.

Source of data: Publicly available data in annual reports

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

Our approach to fairness and wider workforce considerations

When making remuneration decisions for the Executive Board Directors, the Committee considers pay, policies and practices elsewhere in the Group.

We receive regular updates from the Executive Board Directors, and we monitor bonus payout and share award data.

In this section, we provide context to our Executive Board Director remuneration by explaining our employee policies and our approach to fairness, as well as the ratio of CEO pay to that of the wider workforce.

Communication and engagement with employees

The Board are committed to an open dialogue with our employees over various decisions. This year, our Chairman, Stephen Hubbard, assumed the role of designated Non-Executive Director responsible for overseeing employee engagement. During the last financial year, employees have been informed about activities, performance and the Company's response to Covid-19 through staff briefings held by the CEO and other members of the Executive Team. Mr Hubbard also held three informal staff events during the year. Employees are kept informed about activities and performance not only through these briefings but also by the circulation of corporate announcements and other relevant information to all staff, supplemented by updates on the intranet.

Share schemes

Share schemes are a long-established and successful part of our total reward package, encouraging and supporting employee share ownership. In particular, all employees are invited to participate in the Company's Savings Related Share Option Scheme and the Share Incentive Plan.

Equal opportunities

Workspace is committed to an active Equal Opportunities Policy from recruitment and selection, through training and development and in performance reviews, promotion and remuneration. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. We consider the needs of all employees, customers and the community.

We use everyone's talents and abilities, and we value diversity. The Company aims to make our promotion and recruitment practices fair and objective. We encourage continuous development and training, as well as the provision of equal opportunities and career development for employees. Further details of this are shown on pages 145 and 200.

Retirement benefits

The Company provides pension benefits for the majority of its employees. The Company's commitment to pension contributions, consistent with the last year, ranges from 6% to 10% of an employee's salary.

The Pension Scheme is open to every employee in accordance with the new Government auto-enrolment rules.

The year-on-year change in our Directors' remuneration

The table below sets out the changes year-on-year between our Director pay and average employee pay. As per our Policy, salary increases applied to Executive Directors will typically be in line with those of the wider workforce.

Table B below shows the percentage change in each Directors' remuneration, comprising salary/fees, taxable benefits and annual bonus, and comparable data for the average of employees within the Company. The comparator group is based on all employees (excluding Directors), normalised for joiners and leavers during the year. The average number of people employed by the Company during the year was 223 (2020: 232). All employees are eligible for consideration for an annual bonus.

TABLE B

Director	Salary/ Fees	Taxable benefits	Annual variable
Executive directors			
Graham Clemett	9%	-15%	-54%
Dave Benson[1]	n/a	n/a	n/a
Non-Executive directors			
Stephen Hubbard[2]	198%	n/a	–
Maria Moloney	-4%	n/a	–
Chris Girling	0%	n/a	–
Damon Russell	10%	n/a	–
Suzi Williams	5%	n/a	–
Rosie Shapland[3]	n/a	n/a	–
Lesley-Ann Nash[3]	n/a	n/a	–
Daniel Kitchen[4]	0%	n/a	–
Ishbel Macpherson[4]	0%	n/a	–
All other employees	5%	-5%	-5%

1. Dave Benson joined the Board as Chief Financial Officer on 1 April 2020 therefore the year-on-year change in remuneration cannot be stated.
2. Stephen Hubbard was appointed as Chairman in July 2020. Please see page 194.
3. Rosie Shapland and Lesley-Ann Nash joined the Board as Non-Executive Directors on 6 November 2020 and 1 January 2021 respectively therefore the year-on-year change in remuneration cannot be stated.
4. Daniel Kitchen and Ishbel Macpherson stepped down from the Board on 9 July 2020 and 24 July 2020 respectively therefore the above information has been annualised as per their time in role.

REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

Pay comparisons

Chart C shows the single figure of remuneration for our CEO over time, and the pay of our average employee, each rebased to 2011. We have also included our TSR performance over this period.

- CEO single figure
- Workspace Group plc TSR
- FTSE250 Index
- FTSE350 Real Estate Supersector Index

CHART C

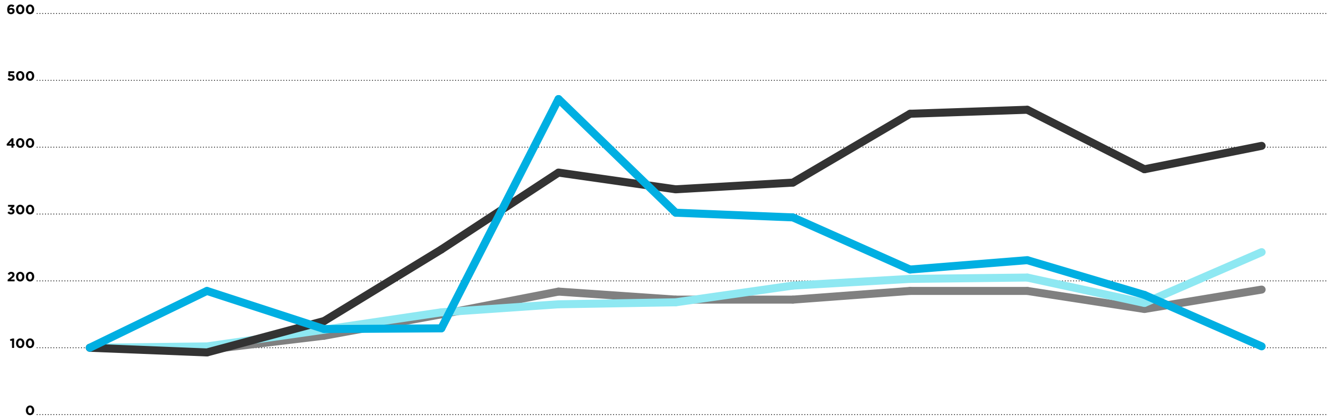


TABLE C

CEO single figure of total remuneration £000		31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015	31 Mar 2016	31 Mar 2017	31 Mar 2018	31 Mar 2019	31 Mar 2020	31 Mar 2021
Graham Clemett[1]		–	–	–	–	–	–	–	–	1,341.9	764.4
Jamie Hopkins[2]		27.4	960.3	966.9	3,533.1	2,262.7	2,205.6	1,674.2	1,728.2	490.9	–
Harry Platt[3]		1,359.6	–	–	–	–	–	–	–	–	–
Annual bonus pay-out											
Graham Clemett (% of maximum opportunity)		–	–	–	–	–	–	–	–	77.96%	33%
Jamie Hopkins (% of maximum opportunity)		–	100%	97.8%	97.2%	95.3%	100%	100%	95.8%	–	–
Harry Platt (% of maximum opportunity)		75%	–	–	–	–	–	–	–	–	–
LTIP vesting											
Graham Clemett (% of maximum opportunity)		–	–	–	–	–	–	–	–	87.24%	0%
Jamie Hopkins (% of maximum opportunity)		–	–	–	100%	100%	88.7%	62.7%	50.7%	87.24%	–
Harry Platt (% of maximum opportunity)		66.5%	–	–	–	–	–	–		–	–
Ratio of single total remuneration figure shown to employees as a whole	to employee lower quartile[4]	–	–	–	–	–	–	–	53x	47x	23x
	to employee median	–	–	34x	128x	79x	72x	48x	33x	43x	15x
	to employee upper quartile[4]	–	–	–	–	–	–	–	23x	23x	11x

1. Mr Clemett assumed the role of Interim CEO on 1 June 2019 and was appointed CEO on 24 September 2019.
2. Mr Hopkins was appointed as an Executive Director on 12 March 2012 and stepped down from the Board on 31 May 2019.
3. Mr Platt retired as an Executive Director of the Company on 31 March 2012.
4. See below for details on calculation.

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

PAY COMPARISONS CONTINUED

Despite the fact that Workspace would not be required to disclose the ratio of CEO pay to workforce pay (given we do not meet the requirement regarding employee numbers), the Committee have chosen once again to disclose this ratio on a variety of bases, as shown at the bottom of table C shown above. For the 2019, 2020 and 2021 figures, this is based on the Companies (Miscellaneous Reporting) Regulations 2018. For the historic figures, this is based on our own methodology. In all cases, the entire UK workforce is included.

Chart C demonstrates that there continues to be a strong correlation between our CEO pay and the Total Shareholder Return of the Company. This results from the CEO receiving a high proportion of his remuneration in shares and because the variable pay within his package is based on measures which directly support the implementation of our strategy. The chart also shows that our average employee pay has trended upwards over this period.

Table C sets out the ratio of CEO pay (based on the single figure) to that of the workforce, for the last eight years, at the bottom of the table. There is significant volatility in this ratio, caused by the following:

- Our CEO pay was made up of a higher proportion of incentive pay than that of our employees, in line with shareholder expectations. This introduces a higher degree of variability in his pay each year versus that of our employees.
- Long-term incentives, which made up a significant proportion of our CEO's pay, are provided in shares, and their value on vesting, included in his single figure, reflects the movement in share price over the three years prior to vesting. This outcome can add significant volatility to the CEO's pay and this is reflected in the ratio.

The ratio is driven by the different structure of the pay of our CEO versus that of our employees, as well as the make-up of our workforce. This ratio varies between businesses even in the same sector.

What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the CEO and wider workforce.

The 2019, 2020 and 2021 figures above were calculated based on the Companies (Miscellaneous Reporting) Regulations 2018. These regulations, which set out how to calculate the pay ratio, describe three methodologies that can be used to identify the employees whose pay sits at the lower quartile, upper quartile and median of the Company – these are named in the regulations as 'Options A, B or C'. In 2019 and 2020, Workspace used Option B, the gender pay data, to determine these individuals, and the ratio of their pay to the CEO is set out in table C above. For 2021, Option A was used.

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

Single total figure of remuneration for the Executive Directors (audited)

The illustrations to the right set out a single figure for the total remuneration received by each Executive Board Director for the year ended 31 March 2021 and the prior year.

Graham Clemett, CEO

	2020/21 £000	2019/20 £000
FIXED PAY		
SALARY	494.0	452.4
PENSION[1]	49.4	51.7
BENEFITS[2]	21.4	25.1
VARIABLE PAY		
ANNUAL BONUS[3]	195.1	423.2
LTIP[4]	NIL	385.3
OTHER – SAYE, SIP	4.5	4.2
TOTAL	764.4	1,341.9
OF WHICH SHARE PRICE GROWTH	**0**	**175.5**

Dave Benson, CFO

	2020/21 £000	2019/20 £000
FIXED PAY		
SALARY	340.0	n/a
PENSION[1]	18.0	n/a
BENEFITS[2]	0	n/a
VARIABLE PAY		
ANNUAL BONUS[3]	134.3	n/a
LTIP[4]	NIL	n/a
OTHER – SAYE, SIP	7.5	n/a
TOTAL	499.8	n/a
OF WHICH SHARE PRICE GROWTH	**0**	**n/a**

1. Pension: During 2020/21 each of Messrs Clemett and Benson received a cash allowance in lieu of pension contribution.
2. Benefits: Taxable value of benefits received in the year by Executive Directors includes a car allowance, private health insurance and death in service cover.
3. Annual bonus: This is the total bonus earned in respect of performance during the relevant year. For 2019/20 and 2020/21, the Committee set a minimum deferral requirement of 33% of the bonus earned. For 2020/21, this deferral was equivalent to £64,404 for Mr Clemett and £44,319 for Mr Benson.
4. LTIP: The 2020/21 figure includes the estimated value of 0% of the 2018 LTIP shares that vested based on performance to 31 March 2021. The share price used is the three-month average to 31 March 2021 of £7.5606. The 2019/20 figures have been updated to reflect the share price on the date of the vesting on 20 July 2020 of £5.8451.

Graham Clemett assumed the role of interim CEO on 1 June 2019 and on 24 September 2019 was appointed CEO. Dave Benson joined Workspace as CFO on 1 April 2020.

REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

Annual bonus payout in respect of 2020/21 (audited)

For 2020/21 the maximum bonus opportunity for the Executive Directors was 120% of salary. Payouts are subject to the assessment of performance against stretching financial, strategic and personal performance targets, and are calculated on a straight-line basis from 0% at threshold to 100% at maximum performance. Both Graham Clemett and Dave Benson are required to defer 33% of their bonus into Company shares for three years. The targets are set based on our budgeting process, which takes account of market expectation, planned acquisitions and disposals of assets, and aspirations around Company growth.

The performance measures, targets and outcomes for each measure are shown in the table to the right.

The Committee considered at length the experience of shareholders over this year, particularly in the context of the Covid-19 pandemic, balanced against the need to appropriately recognise the achievement of the management team. For further detail on the Committee's discussions see page 170.

ANNUAL BONUS PAYOUT IN RESPECT OF 2020/21

WEIGHTING AS A % OF SALARY	MEASURE	ACHIEVED: THRESHOLD (0% PAYABLE)	ACHIEVED: MAXIMUM (100% PAYABLE)	ACTUAL	FORMULAIC OUTTURN AND OPPORTUNITY AS A % OF SALARY	
60%	TRADING PROFIT AFTER INTEREST	£34.6M	£38.6M	ACTUAL: £38.7M	60%	60%
24%	TOTAL PROPERTY RETURN From portfolio versus a defined comparator Benchmark compiled by IPD	BENCHMARK	BENCHMARK +2%	ACTUAL: BENCHMARK -3.78%	0%	24%
12%	CUSTOMER SATISFACTION	72%	80%	ACTUAL: N/A	0%	12%
24%	PERSONAL PERFORMANCE	0%	MAX: 100%	ACTUAL: 80%	19%	24%
	TOTAL				79%	120%
	OUTCOME (£000) GRAHAM CLEMETT, CEO				£390.2 DISCRETIONARY 50% REDUCTION APPLIED TO OUTTURN £195.1 TOTAL BONUS	£64.4 OF WHICH IS DEFERRED BONUS
	OUTCOME (£000) DAVE BENSON, CFO				£268.6 DISCRETIONARY 50% REDUCTION APPLIED TO OUTTURN £134.3 TOTAL BONUS	£44.3 OF WHICH IS DEFERRED BONUS

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

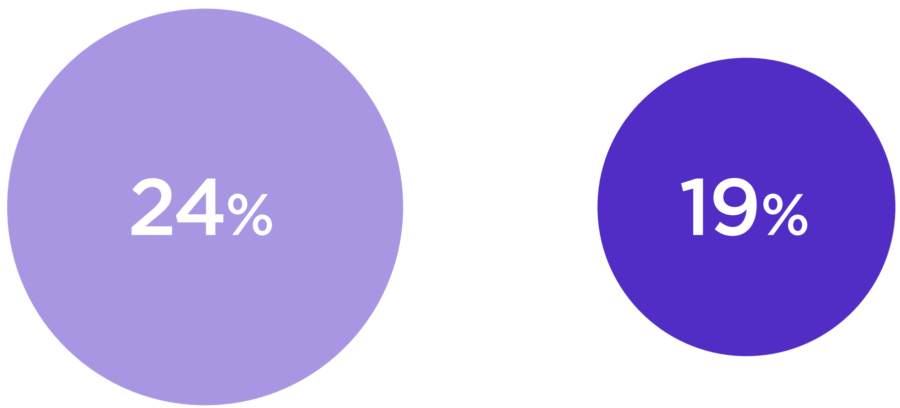
Personal objectives 2020/21

The Executive Directors' personal objectives focus on the delivery of the strategic priorities for the business and the successful management of risk. Based on a review of achievement against the personal objectives set out below, the Committee has awarded Graham Clemett and Dave Benson 19% of salary under this element.

KEY HIGHLIGHTS FROM THE YEAR:

- Published our net zero carbon pathway, including a commitment to reduce operational and embodied carbon emissions in line with our approved science based targets to become a net zero carbon business by 2030.
- Roll out of new brand positioning both internally and externally including launch of marketing campaign in 2021.
- Expansion of our property portfolio which includes planning consent achieved at Kennington Park for additional 200,000 sq ft of office space.
- Issuance of first green bond in connection with the Company's new green finance framework, in line with our ESG strategy and our recently published net zero carbon pathway.

PERSONAL PERFORMANCE



Opportunity (% of salary)

Outcome (% of salary)

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

PERSONAL OBJECTIVES 2020/21 CONTINUED

OBJECTIVE	TARGETS	ACHIEVEMENTS
APPROPRIATE RESPONSE TO THE COVID-19 PANDEMIC	– Maintain contact with customers and respond sympathetically to their issues and concerns. – Maintain engagement and motivation of employees working remotely. – Ensure appropriate measures in place for the safe return to work of both customers and staff.	– 50% rent reduction offered to all business centre customers for the first quarter of year to 30 June 2020. – Centre teams maintained regular contact with all customers (both direct and virtually) to understand and address issues and concerns where possible. – Asset management team engaged with customers to ‘right size’ their requirements where possible. – Extreme customer hardship situations addressed on a case by case basis by CEO and asset management team. – 4 virtual town meetings held by the CEO and Exec team with staff through the year, together with regular updates on work plans as Covid-19 restrictions evolved. – Remote working capability including PCs provided to all staff working from home. Training provided for full-use of Teams for on-line meetings, chat and calls. – Detailed Covid-safe measures and procedures implemented at all business centres and head office. Regular risk assessments conducted and any changes in recommended measures monitored and implemented as appropriate.
DEVELOP OUR BRAND PROPOSITION **LAUNCH NEW CUSTOMER WEBSITE** **DEVELOPMENT OF A CUSTOMER APP**	– Deliver a compelling brand proposition that sets us apart from the market and resonates with customers and our people. – Deepen customer insight to improve communications and hone our operational activities. – Develop new customer propositions that enhance brand experience.	– Full review of the Company’s existing brand and market position completed and new brand positioning strategy developed. – Roll-out out of new brand positioning both internally and externally including launch of advertising campaign in May 2021. – Conducted workshops for the entire business to remind employees of our brand responsibility and ran refreshed tone of voice workshops. – Customer journey workshops completed to identify opportunities to improve customer satisfaction. – Additional customer insight workshops completed to support change programme now underway to address priority issues. – Upgraded Workspace marketing website launched December 2020 with added functionality and much improved user experience. – Customer mobile app development completed and now in beta testing. Roll-out to be co-ordinated with deployment of new centre access system.
EXPAND OUR PROPERTY PORTFOLIO	– Deliver on, and look to extend, our refurbishment and redevelopment pipeline – Monitor the market for appropriate acquisition opportunities. – Complete on acquisitions and disposals that meet or exceed our return requirements.	– Opened two new business centres in Summer 2020. – One refurbishment and two redevelopments completed and expected to open Summer 2021. – Achieved planning consent for significant mixed-use redevelopment project in Wandsworth. – Planning consent achieved at Kennington Park for additional 200,000sq ft of office space. – Detailed due diligence undertaken (and ongoing) on a range of acquisition opportunities, although none completed in year, with rigorous return requirements maintained. – Disposal of Bow Exchange completed for £11m.

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

PERSONAL OBJECTIVES 2020/21 CONTINUED

OBJECTIVE	TARGETS	ACHIEVEMENTS
PROGRESS OUR ESG AGENDA	– Determine and publish our net zero carbon pathway. – Increase the number of our business centre environment groups. – Progress our diversity and inclusion plans for recruitment and appraisals. – Programme of local community and charity initiatives.	– Committed to becoming a net zero carbon business by 2030. Detailed pathway and approved science-based targets published in January 2021. – Published Green Finance Framework in March 2021 in support of green bond. – Environment groups established with customers at three centres with a further three planned as customers return to their offices. – Diversity and inclusion training completed for all staff and appropriate new recruitment processes implemented. – Interview skills training completed for all managers. – Worked with our customers to support disadvantaged young people in London, offering CV workshops, interview practice and work experience placements.
ENSURE WE HAVE APPROPRIATE FINANCING TO SUPPORT OUR PLANS	– Extend debt maturity profile. – Investigate and secure as required new sources of funding. – Maintain conservative gearing levels and covenant headroom.	– Debut green bond (maturing in 2028) for £300m issued in March 2021. – Maturity of £160m of revolver facilities extended by one year to June 2023. – BBB Investment credit rating retained. – Low LTV maintained (24% at 31 March 2021) with significant headroom on all covenants.
IMPROVE EMPLOYEE ENGAGEMENT	– Extend breadth of training and development including delivery of new customer service programme. – Continued roll-out of wellness initiatives. – Launch employee of the month award.	– Introduced new three-day induction programme for all starters. – 120 training sessions delivered to staff. – Rolling schedule of wellness webinars and wellbeing events delivered – “Workspace Winners” quarterly awards recognising employee achievement launched in June 2020. – “Health Shield” benefit package launched for all staff.
DEVELOP NEW BUSINESS OPPORTUNITIES	– Expand meeting room footprint. – Assess opportunities for further roll-out of furnished office and single billing offering. – Extend and bring to scale our events programme.	– Meeting room expansion plans delayed to 21/22 by Covid-19. – Club Workspace viability reviewed and decision made to close all sites and repurpose space for other opportunities. – Roll out of new team rooms offer (furnished, short-term space) progressed with new team rooms opened across 9 centres. – Established new in-house catering capability to be initially rolled out at two centres. – Single-billing assessment completed and project team established for roll-out in 21/22.
TECHNOLOGY SUPPORT AND SECURITY	– Review resilience service levels and investment plans with our technology partners. – Maintain high level of cyber security awareness and testing. – Ensure high quality and reliable remote working capabilities in place.	– Cyber maturity assessment completed. – VPN capability rolled-out to enable secure home working for all staff. – Business continuity management plans assessed by external advisers to ensure fit for purpose. – Regular cyber awareness testing and training for all staff. – Online data protection training completed by all staff.

REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

LTIP award vesting in respect of 2020/21 (audited)

The 2018 LTIP awards measured performance over the period 1 April 2018 to 31 March 2021. Details of the performance targets and achievement against them are set out below.

The Committee considered performance set out with the underlying business performance of Workspace and concluded that 0% of the 2018 LTIP award should vest.

The 2019 LTIP awards are based on the same targets and weightings as the 2020 LTIP award shown below, in Table E, measured over the period 1 April 2019 to 31 March 2022.

WEIGHTING	MEASURE	THRESHOLD	MAXIMUM	PAYOUT AS % MAXIMUM
50%	RELATIVE TSR VS. SECTOR GROUP	MEDIAN	UPPER QUARTILE ACTUAL: 37TH PERCENTILE	0%
50%	TOTAL PROPERTY RETURN VERSUS LONDON IPD INDEX	MEDIAN	UPPER QUARTILE ACTUAL: 43RD PERCENTILE	0%
	NUMBER OF SHARES VESTING (AUDITED)			NIL
	VALUE OF SHARES VESTING			£0

LTIP awards made during the 2020/21 financial year

Under the current Policy conditional share awards under the LTIP are granted to a maximum of 200% of salary. Awards under the 2020 LTIP are subject to the performance conditions detailed in the table below measured over the period 1 April 2020 to 31 March 2023.

TABLE E

	Relative TSR vs. sector group[1] (50% of the award)	Total Property Return versus London IPD index (50% of the award)
Threshold[3] (20% vesting)	Median	Median
Maximum[3] (100% vesting)	Upper Quartile	Upper Quartile

1. The comparator group for the 2020 LTIP cycle is the constituents of the FTSE 350 Real Estate Index excluding agencies.
2. For any shares to vest on absolute TSR, the Company's TSR outcome must exceed the median TSR of the comparator group over the performance period.
3. There is straight-line vesting between the 'Threshold' and 'Maximum' performance levels.

The following awards were granted during the year under the 2020 LTIP:

			Performance Share award		
				Face value	
	Date of grant	Market price at date of award[1]	Number of shares	£	% of salary
Graham Clemett	18 June 2020	£7.0767	139,638	988,176	200%
Dave Benson	18 June 2020	£7.0767	96,089	679,993	200%

1. The share price for calculating the levels of awards was £7.0767 the average mid-market closing price over the three dealing days 15, 16 and 17 June 2020, in accordance with the LTIP plan rules.

Deferred shares were granted (as conditional share awards) under the 2019/20 bonus of 20,315 shares to Mr Clemett on 26 June 2020 based on a share price of £6.82p.

How we will apply the Policy in 2021/22

We believe that the Policy continues to be fit for purpose going forward, and therefore the Committee is not proposing to make any changes for 2021/2022.

BASE SALARY

The Executive Directors will be awarded a 2% salary increase in line with the average applied to the wider workforce. Salaries will be as follows:

CEO

£503,970

CFO

£346,800

BENEFITS AND PENSION

In line with the Policy set out in this report, the Executive Directors will receive a contribution to a defined contribution plan or a cash allowance in lieu of contribution of 10% of salary.

ANNUAL BONUS

There is no change to the annual bonus maximum potential in 2021/22, and this will continue to be 120% of salary.

33% of the total bonus paid will be deferred into shares for three years. Dividend equivalents may be accrued on deferred shares.

PERFORMANCE MEASURES

60% OF SALARY

LINKED TO
Trading profit after interest

LINK TO STRATEGY
Customer-led growth
Operational excellence

24% OF SALARY

LINKED TO
Total Property Return (TPR)

LINK TO STRATEGY
Doing the Right Thing

24% OF SALARY

LINKED TO
Personal performance

LINK TO STRATEGY
Operational excellence

12% OF SALARY

LINKED TO
Customer satisfaction

LINK TO STRATEGY
Customer-led growth

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

HOW WE WILL APPLY THE POLICY IN 2021/22 CONTINUED

ANNUAL BONUS CONTINUED

Whilst we believe that disclosing the exact performance conditions and targets for all measures including the personal performance would not be in the best interests of shareholders, we remain committed to best practice disclosure. We therefore set out below some examples of the objectives that the Committee will consider in respect of evaluating personal performance. Full disclosure on the targets, performance achieved and resulting bonus payouts for 2021/22 will be provided in next year's report.

Executive Personal Objectives 2021/22

EXAMPLES OF EXECUTIVE PERSONAL OBJECTIVES 2021/22
1. Launch new brand positioning and raise brand and corporate profile
2. Roll-out of single-billing lease product
3. Progress the delivery of our multi-year ESG plans and commitments
4. Continued upgrade and expansion of our property portfolio
5. Delivery of customer service initiatives from our customer journey project

LONG-TERM INCENTIVE PLAN (LTIP)

Maximum award 200% of salary. The performance measures are such that 50% will be based on Total Property Return against a London focused IPD index and 50% will be based on relative TSR against FTSE 350 Real Estate companies. The targets for the two elements are as follows:

	Total Shareholder Return relative to FTSE 350 Real Estate Supersector index excluding agencies	Total Property Return versus London focused IPD index
Threshold vesting (20% of maximum)	Median	Median
Maximum vesting (100% of maximum)	Upper quartile	Upper quartile

A holding period of two years will apply to any vested shares under the LTIP.

To allow any payouts to be fully reflective of underlying performance, the LTIP underpin allows the Committee to reduce vesting should the Committee believe that the relative TSR and/or relative TPR performance is inconsistent with the overall performance of the business.

NON-EXECUTIVE DIRECTOR FEES

The fees for Non-Executive Directors are reviewed and agreed annually. The fees, which are effective from 1 April 2021, are set out in the table below.

	2021 fee	2020 fee	% change
Chairman	£188,451	£188,451	0%
NED base fee	£51,000	£51,000	0%
Chair of Audit Committee fee	£10,800	£10,800	0%
Chair of Remuneration Committee fee	£10,800	£10,800	0%
Chair of Risk Committee[1]	£10,800	n/a	n/a
Senior Independent Director fee[2]	£10,800	n/a	n/a

1. Chairman of Risk Committee appointed in September 2020.
2. Fee to apply from 22 July 2021.

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

Single figure for Non-Executive Directors (audited)

Table F below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 March 2021 and the prior year:

TABLE F

Non-Executive Director	Stephen Hubbard		Maria Moloney		Chris Girling		Damon Russell		Suzi Williams		Rosie Shapland		Lesley-Ann Nash		Daniel Kitchen		Ishbel Macpherson	
	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000	2019/20 £000
Base fee	151.9	51.0	51.0	51.0	51.0	51.0	51.0	51.0	51.0	10.2	19.9	–	12.8	–	52.2	188.5	16.3	51.0
Additional fees	–	–	8.3	10.8	10.8	10.8	5.0	–	2.4	–	–	–	–	–	–	–	–	–
Total	151.9	51.0	59.3	61.8	61.8	61.8	56.0	51.0	53.4	10.2	19.9		12.8	–	52.2	188.5	16.3	51.0

1. Expenses incurred by Non-Executive Directors represent the cost to the Group, being gross of taxation. In 2020/21, Maria Moloney and Chris Girling were reimbursed for out of pocket expenses, incurred in attending meetings in connection with the discharge of their duties, of £1,841 and £850 respectively.
2. Stephen Hubbard was appointed Chairman in July 2020. Maria Moloney stepped down as Chair of the Remuneration Committee, with Suzi Williams assuming this role also with effect form 1 January 2021. Damon Russell assumed the role of Chairman of the Risk Committee with effect from September 2020. Rosie Shapland and Lesley-Ann Nash were appointed as Directors with effect from 6 November 2020 and 1 January 2021 respectively. Additional fees are paid to Non-Executive Directors serving as chairs of the Remuneration, Audit and Risk Committees.

Share ownership and share interests (audited)

The shareholding guideline for Executive Directors is 200% of salary. The table to the right below shows the interests of the Directors and connected persons in shares (owned outright or vested). There have been no changes in the interests in the period between 31 March 2021 and 2 June 2021.

Graham Clemett exceeds the shareholding guidelines. See page 182 for details. Dave Benson who joined the Company on 1 April 2020 acquired 19,850 shares in September 2020.

TABLE G

	31 March 2021	31 March 2020
Chairman		
Stephen Hubbard	23,640	15,290
Executive Directors		
Graham Clemett	129,448	92,785
Dave Benson	19,850	n/a
Non-Executive Directors		
Maria Moloney	2,027	2,027
Chris Girling	NIL	NIL
Damon Russell	NIL	NIL
Suzi Williams	NIL	NIL
Rosie Shapland	NIL	n/a
Lesley-Ann Nash	NIL	n/a
Past Directors		
Daniel Kitchen[1]	See note	40,805
Ishbel Macpherson[1]	See note	3,150

1. Daniel Kitchen and Ishbel Macpherson stepped down from the Board on 9 July 2020 and 24 July 2020 respectively. As at the date of leaving, the number of shares held were 40,805 for Mr Kitchen and 3,150 for Ms Macpherson.

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

SHARE OWNERSHIP AND SHARE INTERESTS (AUDITED) CONTINUED

Table H below shows the Executive Directors' interest in shares.

TABLE H

Executive Director	Type	Owned outright or vested[2]	Unvested and not subject to performance[3]	Subject to performance[4]	Total
Graham Clemett[4]	Shares	129,448	43,792	211,452	384,692
	Market value options[1]	NIL	3,389	NIL	3,389
Dave Benson	Shares	19,850	NIL	96,089	115,939
	Market value options[1]	NIL	5,649	NIL	5,649

1. Market value options include SAYE options outstanding and not yet matured as at 31 March 2021. The exercise price of these was set at 80% (in accordance with HMRC and the plan rules) of the market value of a share at the invitation date. See page 197 for further details.
2. The total shares owned outright or vested.
3. This figure includes the deferred bonus shares awarded in 2018, 2019 and 2020 for Mr Clemett.
4. The interest in shares of 211,452 for Mr Clemett consist of LTIP awards made in 2019 and 2020. The interest in shares of 96,089 for Mr Benson consist of LTIP awards made in 2020, details of which can be found on page 191 in this report.

Additional information

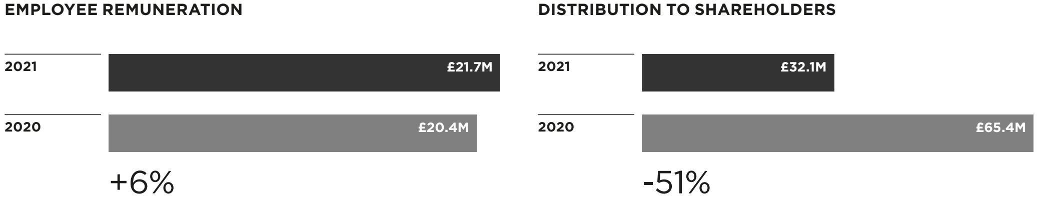
External appointments

It is the Board's policy to allow Executive Directors to take up one Non-Executive position on the Board of another company, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director. Mr Clemett was appointed a Non-Executive Director and Chairman of the Audit Committee of The Restaurant Group plc, effective 1 June 2016. Mr Clemett was paid in the year a fee of £53,000. Mr Benson does not hold any external appointments.

Relative importance of spend on pay

Chart D below shows the Company's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 March 2020 and 31 March 2021.

CHART D



* The estimated total dividend as reported in the financial statements for the year to 31 March 2021 was £32.1m.

Payments for loss of office (audited)

None.

Payments to past Directors (audited)

Jamie Hopkins, who stepped down from the Board on 31 May 2019, received 58,379 shares which vested on 20 July 2020 in respect of the 2017 LTIP. Full details of Mr Hopkins' termination arrangements were set out in the 2019 Remuneration Report.

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

ADDITIONAL INFORMATION CONTINUED

Service contracts of Directors serving in the year

Executive Directors are employed under contracts of employment with Workspace Group PLC. The principal terms of the Executive Directors' service contracts are as follows.

			Notice period	
Executive Director	Position	Effective date of contract	From Company	From Director
Graham Clemett	Chief Executive Officer	31 July 2007	12 months	12 months
David Benson	Chief Financial Officer	1 April 2020	12 months	12 months

Graham Clemett joined the Company as CFO in July 2007 and was appointed as CEO on 24 September 2019. Graham served as Interim CEO and CFO from 31 May 2019 until September 2019.

The Chairman and Non-Executive Directors have letters of appointment. Dates of the Directors' letters of appointment are set out below:

Name	Date of original appointment (date of reappointment)	Date of appointment/ last reappointment at AGM	Notice period
Stephen Hubbard	16 July 2014 (23 January 2020)	2020	6 months
Maria Moloney	22 May 2012 (22 May 2021)	2020	3 months
Chris Girling	7 February 2013 (7 February 2019)	2020	3 months
Damon Russell	29 May 2013 (29 May 2019)	2020	3 months
Suzi Williams	21 January 2020 (n/a)	2020	3 months
Rosie Shapland	6 November 2020 (n/a)	n/a	3 months
Lesley-Ann Nash	1 January 2021 (n/a)	n/a	3 months

1. Rosie Shapland and Lesley-Ann Nash joined the Board as Non-Executive Directors on 6 November 2020 and 1 January 2021 respectively. Both Rosie and Lesley-Ann are being proposed for election by shareholders at the forthcoming AGM on 22 July 2021.

The Directors are subject to annual re-election at the AGM. Non-Executive Directors' letters of appointment and Executive Directors' contracts are available to view at the Company's registered office.

Committee advisers

During the year, PwC LLP acted as independent adviser to the Committee. PwC LLP was appointed by the Committee in 2018 following a selection process. PwC LLP is a founding member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to Executive remuneration consulting in the UK. The Committee is satisfied that the PwC LLP engagement partner and team, which provide remuneration advice to the Committee, do not have connections with the Group that may impair their objectivity and independence. The fees charged by PwC LLP for the provision of independent advice to the Committee during the year were £72,425.

With regards to other services provided by PwC during the financial year, PwC conducted a review of the Group's internal audit and risk requirements and provided support to Workspaces IT team on cyber security.

Voting at the Company's AGMs

The table below sets out the results of the most recent shareholder votes on the Policy Report and the advisory vote on the 2019/20 Annual Report on Remuneration at the 2020 AGM on 9 July 2020. The Committee views this level of shareholder support as a strong endorsement of the Company's Policy and its implementation.

	Percentage of votes cast		Number of votes cast		
	For and Discretion	Against	For and Discretion	Against	Withheld[1]
Policy Report (2020 AGM)	99.54	0.46	116,307,019	539,870	1,666
Annual Report on Remuneration (2020 AGM)	91.36	8.64	106,751,974	10,094,915	1,666

1. A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

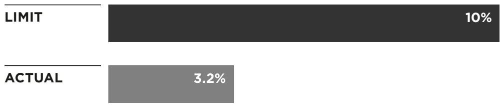
ADDITIONAL INFORMATION CONTINUED

Share-based awards and dilution

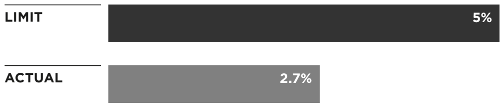
The Company's share schemes are funded through a combination of shares purchased in the market and new-issue shares, as appropriate. The Company monitors the number of shares issued under these schemes and their impact on dilution limits. The Company's usage of shares compared to the relevant dilution limits set by the Investment Association in respect of all shares plans (10% in any rolling 10-year period) and Executive share plans (5% in any rolling 10-year period) as at 31 March 2021 is detailed below.

As of 31 March 2021, around 3.2% and 2.7% shares have been, or may be, issued to settle awards made in the previous 10 years in connection with all share schemes and executive share schemes respectively. Awards that are made but then lapse or are forfeited are excluded from the calculations.

ALL SHARE PLANS



EXECUTIVE SHARE PLANS



Outstanding LTIP awards

Details of current awards outstanding to Graham Clemett and Dave Benson are detailed below.

Name	At 1 April 2020 Performance[2]	Lapsed during the year Performance	Vested during the year Performance	At 31 March 2021 Performance
Graham Clemett				
20/07/2017	65,863	(8,405)	57,458	–
22/06/2018	54,892	–	–	54,892
18/06/2019	71,814	–	–	71,814
18/06/2020	–	–	–	139,638
Dave Benson				
18/06/2020	–	–	–	96,089

1. Awards will vest subject to the satisfaction of performance conditions detailed on page 193 over the three year performance period.
2. LTIP Awards made to the Executive Directors. In July 2017 awards were in respect of 200% of salary based on a share price at date of award of £8.9033. In June 2018, 2019 and 2020 awards were in respect of 200% of salary based on a share price at date of award of £11.00333, £8.62083 and £7.0767 respectively. 87.24% of the 2017 Awards vested on 20 July 2020 and vesting of the 2018 Awards is 0%.

Share options

The following table shows, for the Directors who served during the year, the interests in outstanding awards under the HMRC-approved Savings Related Share Option Plan and SIP Awards.

	At 01/04/2020	Granted during the year	Lapsed during the year	Vested in year	At 31/03/2021	Exercise price	Normal exercise date From	Normal exercise date To
Graham Clemett	1,046	–	1,046	–	–	–	–	–
	1,282	–	1,282	–	–	–	–	–
	–	3,389	–	–	3,389	£5.31	01.09.23	01.03.24
	107				107		18.09.18	
	228				228		30.08.20	
	233				233		05.09.22	
Dave Benson		5,649			5,649	£5.31	01.09.25	01.03.26

1. Mr Clemett was granted awards under the share incentive plan on 18 September 2015 (107); 30 August 2017 (228) and 5 September 2019 (233).

There have been no changes in Directors' interests over options in the period between the balance sheet date and 2 June 2021. The Directors' Remuneration Report has been approved by the Board of Workspace Group PLC.

By order of the Board

Suzi Williams
Chair of the Remuneration Committee
2 June 2021

REPORT OF THE DIRECTORS

The Directors present their report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2021.

Workspace Group PLC is incorporated in the UK and registered as a public limited company in England and Wales. Its headquarters are in London and it is listed on the main market of the London Stock Exchange.

This section of the Annual Report sets out the information required to be disclosed in the Directors' Report. Certain matters that would otherwise be disclosed in the Directors' Report have been reported elsewhere in the Annual Report and consequently, this Directors' Report should be read in conjunction with our Strategic Report on pages 1 to 98, and a description of the Group's business model on pages 11 to 19. It also includes our report on our 'Doing the Right Thing' programme, principal risks and uncertainties and the Statements on Going Concern, Viability and Section 172 matters which can be found on pages 34 to 56, 63 to 70, 81 to 82 and 122 to 123.

The Corporate Governance Report and Chairman's Governance Report for the year ended 31 March 2021, on pages 99 to 197, are incorporated by reference into this Directors' Report.

Post balance sheet events

Details of post balance sheet events can be found on page 235.

Principal activities and business review

The Group is engaged in property investment and letting business space to businesses in London. As at 31 March 2021 the Company had seven active subsidiaries, four of which are property investment companies owning properties in Greater London. The other three companies are: Workspace Management Limited; LI Property Services Limited; and Workspace 17 (Jersey) Limited. A full list of the Company's subsidiaries and other related undertakings appears on page 234.

Significant events which occurred during the year are detailed in the Chairman's statement on pages 6 to 7, the Chief Executive Officer's Statement on pages 9 to 10 and the Business Review on pages 71 to 80.

A description of the principal risks and uncertainties facing the Group can be found on pages 63 to 70. Details of the Group's health and safety policies can be found on page 200 and information on its environmental and community engagement activities can be found on pages 23 to 24.

Profit and dividends

The Group's loss after tax for the year attributable to shareholders amounted to £235.7m (2020: profit of £72.1m).

No interim dividend was paid in February 2021 (2020: 11.67 pence). The Board is proposing to recommend the payment of a final dividend of 17.75 pence (2020: 24.49 pence) per share to be paid on 6 August 2021 to shareholders whose names are on the Register of Members at the close of business on 2 July 2021. This makes a total dividend of 17.75 pence (2020: 36.16 pence) for the year.

Going concern and viability

The Going Concern and Viability Statements can be found on pages 81 to 82.

The Group's activities, strategy and performance are explained in the Strategic Report on pages 1 to 98.

Further details on the financial performance and financial position of the Group are provided in the financial statements on pages 210 to 235.

Financial risk management

The financial risk management objectives and policies of the Group are set out in note 18 to the financial statements and in the principal risks and uncertainties section of this report on pages 63 to 70.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are each aware, there is no relevant information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

REPORT OF THE DIRECTORS CONTINUED

Information to be disclosed under LR9.8.4R

For the purpose of LR9.8.4CR, the information required to be disclosed by LR9.8.4R can be found in the Annual Report in the following locations and is hereby incorporated by reference into this Directors' Report:

Section	Topic	Location in the Annual Report
1	Interest capitalised	Financial statements, page 222 note 10
4	Details of long-term incentive schemes	Remuneration Report, pages 176, 180 and 191

There is no further information required to be disclosed under LR9.8.4R.

Share capital and control

As at 31 March 2021, the Company's issued share capital comprised a single class of 181,113,594 ordinary shares of £1.00 each. Details of the Company's issued share capital are set out on page 231. Full details of share options and awards under the terms of the Company's share incentive plans can be found on pages 232 to 234.

Other relevant requirements from the takeover directive are included elsewhere in the Report of the Directors, the Corporate Governance Report, the Directors' Remuneration Report and the notes to the Group and Company financial statements. There are no agreements in place between the Group and its employees or Directors for compensation for loss of office or employment that occur because of a takeover bid.

Restrictions on transfer of shares

There are no restrictions on the transfer of ordinary shares in the Company other than in relation to certain restrictions that are imposed from time to time by laws and regulations (for example insider trading laws). In addition, pursuant to the Listing Rules of the Financial Conduct Authority, Directors and certain officers and employees of the Group require the approval of the Company to deal in ordinary shares of the Company.

Purchase of own shares

Under the Company's Articles of Association, the Company may purchase any of its own shares. The Company was granted authority at the 2020 Annual General Meeting to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2021 Annual General Meeting and a resolution will be proposed to renew this authority. No ordinary shares were purchased under this authority during the year.

Substantial shareholdings in the Company

As at 31 March 2021, the following interests in voting rights over the issued share capital of the Company had been notified.

Shareholder	Number of shares	Percentage held
The London & Amsterdam Trust Company Limited	53,482,291	29.53%
BlackRock, Inc.	16,747,659	9.25%
Jupiter Asset Management Limited	11, 724,837	6.47%
M&G Investment Management Ltd	10,448,320	5.77%
Aberdeen Standard Investments	7,912,869	4.37%
Cohen & Steers Inc.	7,264,885	4.01%
The Vanguard Group Inc.	6,771,347	3.74%

As at 25 May 2021 the following interests in voting rights over the issued share capital of the Company had been notified.

Shareholder	Number of shares	Percentage held
The London & Amsterdam Trust Company Limited	53,431,031	29.50%
BlackRock, Inc.	17,213,219	9.50%
Jupiter Asset Management Limited	11,240,374	6.21%
M&G Investment Management Ltd	10,270,036	5.67%
Cohen & Steers Inc.	8,393,451	4.64%
The Vanguard Group Inc.	6,814,324	3.77%

Board of Directors

The names and biographical details of the Directors and details of the Board Committees of which they are members are set out on pages 106 to 109 and incorporated into this Report by reference. Changes to the Directors during the year and up to the date of this Report are set out on page 105. At the date of this Report there are currently nine Directors on the Board of Workspace Group PLC. The Board may exercise all powers of the Company, subject to the Company's Articles of Association, the Companies Act 2006 and other applicable legislation. Changes to the Articles of Association must be approved by shareholders in accordance with the Articles of Association themselves and applicable legislation in force at the relevant time.

The Company's current Articles of Association require any new Directors to stand for election at the next AGM following their appointment. The Articles of Association also require each Director to stand for re-election every three years following their election. However, in accordance with the Code and the Company's current practice, all continuing Directors will offer themselves for election or re-election (as applicable) at the AGM on 22 July 2021.

REPORT OF THE DIRECTORS CONTINUED

Details of the Directors' interests in the shares of the Company and any awards granted to the Executive Directors under any of the Company's all-employee or Long-Term Incentive Plans are given in the Directors' Remuneration Report on pages 194 to 197. The Service Agreements of the Executive Directors and the Letters of Appointment of Non-Executive Directors are also summarised in the Directors' Remuneration Report and are available for inspection at the Company's registered office.

The appointment and replacement of Directors is governed by the Company's Articles of Association, the Code, the Companies Act 2006 and any related legislation. Unless otherwise determined by ordinary resolution of the Company, the Directors shall not be less than two or more than ten in number. The Board may appoint any person to be a Director so long as the total number of Directors does not exceed the limit prescribed in the Articles of Association. In addition to any power of removal conferred by the Companies Act 2006, the Company may by ordinary resolution remove any Director before the expiry of their period of office.

Directors' indemnities

Under the Company's Articles of Association, to the extent permitted by the Companies Act 2006, the Company may, to the extent permitted by law, indemnify any Director, Secretary or other Officer of the Company against any liability and may also purchase and maintain insurance against such liability. The Board considers that the provision of such indemnification is in keeping with current market practice and believes that it is in the best interest of the Group to provide such indemnities in order to attract and retain high-calibre Directors and Officers.

The Company purchased and maintained Directors' and Officers' liability insurance during the year under review and at the date of approval of the Directors' Report. In addition, in April 2021 qualifying third party indemnity provisions (as defined by Section 234 of the Companies Act 2006) came into force and remain in force in relation to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors or employees of the Company or of any associated company.

Change of control

There are a number of agreements (including the Group's borrowing facilities and other financial instruments, details of which can be found in note 16 to the financial statements) that could allow counterparties to terminate or alter those arrangements in the event of a change of control of the Company.

Section 172(1) Statement

The Company's Section 172(1) Statement can be found on page 122.

Employees

The Group values highly the commitment of its employees and has maintained its practice of communicating business developments to them in a variety of formats. The Group's employees are kept informed of its activities and performance through a series of Director-led staff briefings at key points during the year and the circulation of corporate announcements and other relevant information to staff which is supplemented by updates on the intranet. These briefings also serve as an informal forum for employees to ask questions about the Group.

Share schemes are a long-established and successful part of our total reward package, encouraging and supporting employee share ownership. In particular, all employees are invited to participate in the Group's Savings Related Share Option Scheme.

The Group is committed to an active Equal Opportunities Policy from recruitment and selection, through training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. The Group is responsive to the needs of its employees, customers and the community at large. We are an organisation which uses everyone's talents and abilities, and where diversity is valued. The Group remains supportive of the employment and advancement of disabled persons and monitors its promotion and recruitment practices such that they are fair and objective.

The Group encourages the continuous development and training of its employees and the provision of equal opportunities for the training and career development of all employees.

The Group provides retirement benefits for the majority of its employees. Details of the Group's pension arrangements are set out in note 27 on page 235.

Further information on our employees and how we engage with them can be found on pages 22 and 118 to 119.

Health and safety

We take the health and safety of our employees, customers, visitors and others who may be affected by our activities with the greatest seriousness and we fully comply with all health and safety legislation applicable to our business.

In the year under review we monitored and reviewed our health and safety systems to promote continued compliance with HSE standards and best practice, and carried out portfolio-wide safety training with employees. This year we will to continue to promote a healthy environment and culture across our organisation and provide the necessary training for head office and site staff so that we remain competent in meeting our health and safety responsibilities. We have made good progress with improvements to our safety processes and procedures, previously identified by an external gap analysis.

REPORT OF THE DIRECTORS CONTINUED

We are also focusing on our employees' mental health as we feel it is essential to our overall wellbeing, and as important as physical health. We have already undertaken several mental health focused courses and have appointed a committee to look at how we can further assist employees.

Covid-19	During the complex challenges presented by Covid-19 we are taking robust action to ensure that the wellbeing of our employees, customers and visitors to our buildings is our first priority. We have reacted, and continue to react, to Government advice and direction at short notice and proactively monitor guidance from a variety of government and public health authorities. We endeavour to provide the most up-to-date guidance, support and advice to our employees and customers, and we are confident that we have the right policies and procedures in place to continue to serve our customers.
Training	We train our employees so that they are competent and confident to carry out their jobs in a safe and professional manner. Our people lead by example, working on the principle that if they display high standards in the way they go about their business, then our customers and suppliers will follow suit. Each new starter is given in-house induction training targeted to the health and safety responsibilities they will hold, with ongoing training provided via toolbox talks and regular formal meetings with managers and members of the Health and Safety Committee. With face-to-face training being impacted by Covid-19, this year we have used online training solutions. During the year, 24 employees completed IOSH Managing Safely courses, nine employees received asbestos training and 76 employees received Workspace-specific fire safety training.
Compliance management	All our site staff and facilities managers, as well as some key head office personnel, use a compliance monitoring tool, E-Logbooks, which is a proven software system that enables us to monitor statutory compliance and routine maintenance across the entire portfolio.
Internal health and safety audits	We are committed to continuous improvement and we undergo a series of formal internal health and safety audits every year. The number of audits per annum has increased this year with the intention to audit all sites at least every three years. Evaluations of the results from these audits are used to facilitate individual site safety improvements and identify areas where we can enhance our safety procedures across the portfolio. This includes any requirement for additional training, awareness or toolbox talks.
Redevelopment and refurbishment projects and contractor safety	Redevelopment and refurbishment projects regularly take place across our portfolio, on both customer-occupied and vacant sites. We closely manage our contractors' activities and the associated risks to the health and safety of customers and visitors, particularly where building works are being carried out in close proximity to common parts and customer-occupied areas. For the sixth consecutive year, there have been no contractor-related accidents or incidents that have affected our customers.

Business conduct and compliance
See pages 84 and 85 for details of our key business conduct and compliance policies.

Greenhouse gas emissions
See pages 97 and 98 for details of our absolute emissions and emissions as an intensity ratio, which are incorporated by reference into this Directors' Report and fulfil the requirements of the Greenhouse Gas Emissions (Directors' Reports) Regulations 2013.

2020 Annual General Meeting
See page 116 for details of our 2020 Annual General Meeting.

2021 Annual General Meeting
The 35th Annual General Meeting of the Company will be held at the Company's business centre at Edinburgh House, 170 Kennington Lane, London, SE11 5DP on Thursday 22 July 2021 at 11.00am. The Notice of Meeting, together with an explanation of the business to be dealt with at the Meeting, is included as a separate document sent to shareholders who have elected to receive hard copies of shareholder information and is also available on the Company's website.

Following nine years as a Non-Executive Director of Workspace, Maria Moloney informed the Board in April 2021 of her intention to step down with effect from the conclusion of the 2021 Annual General Meeting. Consequently, Maria will not be seeking re-election at the 2021 AGM.

Following shareholder engagement, in 2019 and 2020 we sought approval for a resolution authorising political donations up to £20,000 in aggregate, which was a lower amount than we had sought in previous years. This year we are again proposing a resolution with an upper limit of £20,000 in aggregate. This resolution is proposed as a precaution to prevent the Company's normal business activities being inadvertently caught by the broad definitions used in the relevant provisions of the Companies Act 2006. It remains the policy of the Company not to make political donations or incur political expenditure within the ordinary meaning of those words and the Board has no intention of using the authority for that purpose.

In addition, and in line with the resolution approved at last year's AGM, the Directors are again proposing a single resolution disapplying pre-emption rights for the 2021 Annual General Meeting that would apply only in very limited circumstances. The proposed disapplication resolution is limited to allotments and/or sales: (i) in connection with pre-emptive offers and offers to holders of equity securities other than ordinary shares (if required by the rights of those securities or as the Directors otherwise consider necessary); and (ii) in connection with the terms of any employees' share scheme for the time being operated by the Company.

By Order of the Board

Carmelina Carfora
Company Secretary
2 June 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. In addition, the Group financial statements are required under the UK Disclosure and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU").

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable, relevant and reliable
- For the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU").
- For the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements.
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board on 2 June 2021 by:

Graham Clemett
Chief Executive Officer

Dave Benson
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Workspace Group PLC ("the Company") for the year ended 31 March 2021 which comprise the Consolidated and Parent Company's Balance Sheets, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated and Parent Company's Statement's of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 14 July 2017. The period of total uninterrupted engagement is for the 4 financial years ended 31 March 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: group financial statements as a whole	£25.5m (2020: £26.7m) 1% (2020: 1%) of total Group assets	
Coverage	100% (2020: 100%) of total Group assets	
Key audit matters		vs 2020
Recurring risks	**Group:** Valuation of Investment property	–
	New: Group: Revenue recognition	^
	Parent: Valuation of derivatives	–

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC CONTINUED

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT CONTINUED

	The risk	Our response
Valuation of investment property (Group) (Group: £2,349.9 million; 2020: £2,586.3 million) *Refer to* page 159 *(Audit Committee Report),* page 214 *(accounting policy) and* page 222 *(financial disclosures).*	**Subjective valuation** Investment properties is the largest balance in the financial statements and is held at fair value in the Group's financial statements, representing 90.6% (2020: 95%) of total assets. The portfolio is externally valued by qualified independent valuers, CBRE. Each property is unique and determining fair value requires significant judgement and estimation, in particular over the key assumptions of the estimated rental value and the yield. The key assumptions will be impacted by a number of factors including location, quality and condition of the building and occupancy. Valuing investment properties either under development or with development potential can be further complicated by the need to assess the likelihood of planning consent, an allowance for developer's profit and forecast of construction costs. Whilst comparable market transactions can provide valuation evidence, the flexible office sector is still maturing and the unique nature of each property means that a key factor in the property valuations are the assumptions made by the valuer. Furthermore, each property valuation includes source data provided by directors and relied on as accurate by the external valuer, primarily the database of tenancy contracts. The relatively short average lease length in the Workspace portfolio and reduced market comparable information for such flexible office space means the valuer is more reliant on tenancy data to support their market rent assumptions than may be the case in other property sectors. Therefore the valuation is more sensitive to the source data than may be the case for more mature sectors with longer leases. The effect of these matters is that, as part of our risk assessment, we determined that the investment properties value has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. **Disclosure quality** The financial statements (note 10) disclose the sensitivity estimated by the Group. The Directors' assessment of the extent of the disclosure is based on an evaluation of the inherent risks to the valuation, including the possible economic effect of the coronavirus pandemic. The risk for our audit is whether or not those disclosures adequately address the uncertainties within the valuation, and if so, whether those uncertainties are fundamental to the users' understanding of the financial statements.	We performed the tests below rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures, assisted by our own property valuation specialist (for procedures 1, 2 and 3), included: – **Assessing valuer's credentials:** We assessed CBRE's objectivity, professional qualifications and experience through discussions with them and reading their valuation report. – **Methodology choice:** We critically assessed the methodology used by the valuers by considering whether the valuation report is in accordance with the RICS Valuation Professional Standards 'the Red Book' and accounting standards. – **Benchmarking assumptions:** We held discussions with CBRE to critically assess movements in property values. For a sample of properties selected using various criteria including analysis of the value of a property as well as correlation with movements in market rent, we evaluated and challenged appropriateness of the key assumptions upon which these valuations were based, including those relating to forecast market rents and yields, by making a comparison to our own understanding of the market and to industry benchmarks. – **Test of detail:** We compared a sample of key inputs used in the valuations, such as rental income and lease length, to the Group's property management system and lease contracts. – **Test of detail:** For a selection of properties under development, we assessed the progress of the development and evaluated assumptions over constructions costs, agreeing them to construction contracts and directors' project appraisals. – **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the valuation of investment properties to changes in key assumptions adequately reflected the related risks. **Our results** – We found the valuation of investment properties and the disclosure of the associated level of uncertainty to be acceptable (2020 result: acceptable).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC CONTINUED

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT CONTINUED

	The risk	Our response

Revenue recognition
(Rental income: Group: £118 million; 2020: £132.7 million)
 	
Refer to page 216 *(accounting policy) and* page 217 *(financial disclosure)*
	Increased complexity
	Rental income and significant lease incentives provided to customers are recognised on a straight line basis over individual lease terms.
	
	We do not consider rental income to contain a high risk of significant misstatement, or to be subject to a significant level of judgement. However, due to the materiality of Revenue in the context of the financial statements as a whole, it is considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.
	
	In addition, as a result of the COVID-19 pandemic, the Group offered customers rental discounts and deferrals of £19.9m (2020:£nil). The non-standard nature of these transactions resulted in an increased inherent risk of error which warrants additional audit focus.
		We performed the tests below rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.
		
		Our procedures included:
		– **Completeness and accuracy of tenancy data**
		  – **Test of detail:** We performed sample testing of tenancy data to supporting lease agreements to gain comfort over the accuracy of the data in the property management system.
		  – **Data and analytics:** We calculated an expectation of the total rental income for the year based on individual lease information recorded in the property management system.
		– **Rental discounts:**
		  – **Test of detail:** We tested a sample of rental deferrals offered to tenants as a result of COVID-19 to assess whether they had been correctly accounted for within the requirements of IFRS 16 (Leases) and IFRS 9 (Financial instruments).
		  – **Test of detail:** We recalculated total rental discounts for the year by using tenancy data and publicly available company announcements.
		  – **Assessing transparency:** We assessed the Group's disclosures in relation to rental discounts and the provision for expected credit losses.
		
		Our results: We found that the recognition of revenue acceptable.

Valuation of derivatives (Parent) (Parent: £8.7 million; 2020: £18.5 million) *Refer to* page 226 *(financial disclosures).*	**Subjective estimate** The Parent Company has derivative financial instruments of £8.7 million (2020: £18.5 million). The cash flow hedge is against a $100 million/£64.5 million loan (2020: $100 million/ £64.5 million). The Parent Company has a cross currency swap to ensure the US Dollar liability streams generated from the US Dollar Notes are fully hedged and have a fixed rate liability totalling £64.5 million (2020: £64.5 million). The swaps have been externally valued and are designated as a cash flow hedge with changes in fair value dealt with in other comprehensive income. The valuations of the swaps are based on market movements which can fluctuate in the year. It is not at a high risk of significant misstatement or subject to significant judgement. However, this is considered to be the area that had the greatest effect on our overall parent company audit.	We performed the tests below rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: – **Test of detail:** We agreed the carrying value of derivatives to valuations obtained directly from the counter-party valuers. – **Benchmarking assumptions:** using our own specialists, assessed the key assumptions used in the valuations, such as foreign exchange rates, against our own knowledge of the market and industry. – **Reperformance:** using our own specialists, independently reperformed the valuation calculation and compared to the company's results. **Our results** – We found the valuation of derivatives to be acceptable (2020:acceptable).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC CONTINUED

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT CONTINUED

We continue to perform procedures over going concern. However, following refinancing in the year, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern and impairment tests however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £25.5 million (2020: £26.7 million), determined with reference to a benchmark of total Group assets of £2,593.6 million (2020: £2,735.5 million), of which it represents 0.98% (2020: 0.98%).

In addition, we applied materiality of £3.75 million (2020: £4 million) to Group components of adjusted trading profit after interest which comprises net rental income, administrative expenses and net finance costs for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Group.

Materiality for the Parent Company financial statements as a whole was set at £15.64 million (2020: £15.5 million), determined with reference to a benchmark of company total assets, of which it represents 1% (2020: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £19.1m (2020: £20.0) for the group and £11.73m (2020: £11.61) for the parent company.

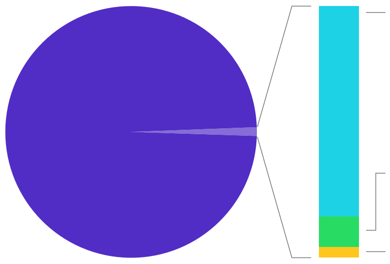
We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.27 million (2020: £1.3 million) for the Group and exceeding £0.78 million (2020: £0.77 million) for the Parent Company; or £0.19 million (2020: £0.2 million) for misstatements relating to accounts to which the lower materiality was applied, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The components within the scope of our work accounted for the percentages illustrated below.

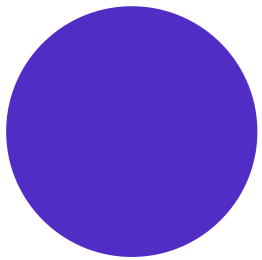
The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The Group team performed the parent company audit. The audit was performed using the materiality levels set out above.

TOTAL GROUP ASSETS AND MATERIALITY



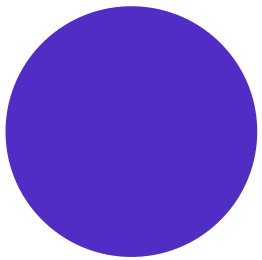
Total Group assets (2020: £2,735.5m)	**£2,547.5m**
Group Materiality (2020: £26.7m)	**£25.5m**

GROUP REVENUE



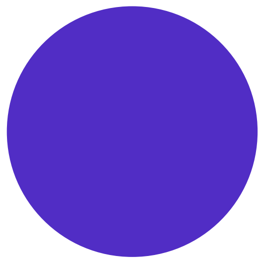
Group revenue (2020: 100%)	**100%**

GROUP PROFIT BEFORE TAX



Group profit before tax (2020: 100%)	**100%**

GROUP TOTAL ASSETS



Group total assets (2020: 100%)	**100%**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC CONTINUED

4. GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- tenant default and significant reduction in rent collections impacting cash flow and earnings;
- compliance with loan covenants; and
- significant reduction in property values

We considered whether these risks could plausibly affect the liquidity or availability of borrowings and debt refinancing in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test).

We considered the completeness and accuracy of the matters covered in the going concern disclosures and assessed whether they reflect the position of the Group's financing and the risks associated with the Group's ability to continue as a going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 81 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes, Executive Committee minutes and attending Group audit committee meetings.
- Considering remuneration incentive schemes and performance targets for management, including total shareholder return, total property return, performance compared to IPD and growth in trading profit after interest targets for management remuneration.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as significant assumptions used in the valuation of investment properties, including estimated rental values and market based yields. On this audit we do not believe there is a fraud risk related to revenue recognition because of the relative simplicity of revenue streams.

We also identified a fraud risk related to management's potential manipulation of tenancy data when determining property valuations in response to possible pressures to meet profit targets.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user and those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), the policies and procedures regarding compliance with laws and regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC CONTINUED

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation (including conditions to maintain UK Real Estate Investment Trust ("REIT")) status in accordance with the REIT regime) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, environmental and sustainability legislation, and certain aspects of company legislation recognising the financial nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We assessed the legality of the distributions made by the Company in the period based on comparing the dividends paid to the distributable reserves prior to each distribution, including consideration of interim accounts filed during the year.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:
- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:
- the directors' confirmation within the viability statement page 81 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Emerging and Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 81 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC CONTINUED

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in this respect.

7. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 202, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Kelly (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
2 June 2021

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £m	2020 £m
Revenue	1	142.3	161.4
Direct costs	1	(60.8)	(39.4)
Net rental income	1	81.5	122.0
Administrative expenses	2	(19.0)	(17.7)
Trading profit		62.5	104.3
Loss on disposal of investment properties	3(a)	(0.1)	(0.8)
Other expenses	3(b)	(0.2)	(0.2)
Change in fair value of investment properties	10	(257.7)	(7.5)
Operating (loss)/ profit	2	(195.5)	95.8
Finance costs	4	(23.8)	(23.3)
Exceptional finance costs	4	(16.4)	–
(Loss)/ profit before tax		(235.7)	72.5
Taxation	6	–	(0.4)
(Loss)/ profit for the financial year after tax		(235.7)	72.1
Basic (loss)/ earnings per share	8	(130.3)p	40.0p
Diluted (loss)/ earnings per share	8	(130.3)p	39.7p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	2021 £m	2020 £m
(Loss)/ profit for the financial year	(235.7)	72.1
Other comprehensive income:		
Items that may be classified subsequently to profit or loss:		
Change in fair value of other investments	–	(1.9)
Cash flow hedge – transfer to income statement	8.6	(4.2)
Cash flow hedge – change in fair value	(9.8)	8.3
Other comprehensive (loss)/ income in the year	(1.2)	2.2
Total comprehensive (loss)/ income for the year	(236.9)	74.3

The notes on pages 213 to 235 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2021

	Notes	2021 £m	2020 £m
Non-current assets			
Investment properties	10	2,349.9	2,586.3
Intangible assets		2.4	2.0
Property, plant and equipment	11	4.0	4.8
Other investments	12	7.9	7.9
Derivative financial instruments	16(e) & (f)	8.7	18.5
Deferred tax	6	0.4	0.6
		2,373.3	2,620.1
Current assets			
Trade and other receivables	13	29.3	25.2
Assets held for sale	10	–	11.0
Cash and cash equivalents	14	191.0	79.2
		220.3	115.4
Total assets		2,593.6	2,735.5
Current liabilities			
Trade and other payables	15	(95.0)	(83.1)
Borrowings	16(a)	(156.6)	(9.0)
		(251.6)	(92.1)
Non-current liabilities			
Borrowings	16(a)	(596.2)	(617.2)
Lease obligations	17	(26.3)	(28.2)
		(622.5)	(645.4)
Total liabilities		(874.1)	(737.5)
Net assets		1,719.5	1,998.0

	Notes	2021 £m	2020 £m
Shareholders' equity			
Share capital	20	181.1	180.7
Share premium	20	295.5	295.4
Investment in own shares	22	(9.6)	(9.6)
Other reserves	21	33.1	32.2
Retained earnings		1,219.4	1,499.3
Total shareholders' equity		1,719.5	1,998.0

The notes on pages 213 to 235 form part of these financial statements.

The financial statements on pages 210 to 235 were approved and authorised for issue by the Board of Directors on 2 June 2021 and signed on its behalf by:

Graham Clemett
Director

Dave Benson
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

		Attributable to owners of the Parent					
	Notes	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
Balance at 31 March 2019		180.4	295.1	(9.3)	27.4	1,488.4	1,982.0
Profit for the financial year		–	–	–	–	72.1	72.1
Other comprehensive income for the year	21	–	–	–	2.2	–	2.2
Total comprehensive income		–	–	–	2.2	72.1	74.3
Transactions with owners:							
Share issues	20	0.3	0.3	(0.3)	–	–	0.3
Dividends paid	7	–	–	–	–	(61.2)	(61.2)
Share based payments	23	–	–	–	2.6	–	2.6
Balance at 31 March 2020		180.7	295.4	(9.6)	32.2	1,499.3	1,998.0
Profit for the financial year		–	–	–	–	(235.7)	(235.7)
Other comprehensive loss for the year	21	–	–	–	(1.2)	–	(1.2)
Total comprehensive loss		–	–	–	(1.2)	(235.7)	(236.9)
Transactions with owners:							
Share issues	20	0.4	0.1	–	(0.4)	–	0.1
Dividends paid	7	–	–	–	–	(44.2)	(44.2)
Share based payments	23	–	–	–	2.5	–	2.5
Balance at 31 March 2021		181.1	295.5	(9.6)	33.1	1,219.4	1,719.5

The notes on pages 213 to 235 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £m	2020 £m
Cash flows from operating activities			
Cash generated from operations	19	62.4	108.7
Interest paid		(23.4)	(24.1)
Tax (paid)/ received		(0.6)	0.1
Net cash inflow from operating activities		38.4	84.7
Cash flows from investing activities			
Capital expenditure on investment properties		(23.6)	(59.7)
Proceeds from disposal of investment properties (net of sale costs)		11.0	75.0
Purchase of intangible assets		(1.2)	(0.9)
Purchase of property, plant and equipment		(1.2)	(2.3)
Other income (overage receipts)		0.1	2.0
Purchase of investments		–	0.5
Net cash (outflow)/ inflow from investing activities		(14.9)	14.6
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	20	0.1	0.6
Finance costs for new/ amended borrowing facilities		(2.0)	–
Repayment of bank borrowings and Private Placement Notes	16(h)	(217.0)	(90.1)
Draw down of bank borrowings	16(h)	54.0	104.0
Green bond proceeds		299.5	–
Own shares purchase (net)		–	(0.3)
Dividends paid	7	(46.3)	(61.0)
Net cash inflow/ (outflow) from financing activities		88.3	(46.8)
Net increase in cash and cash equivalents		111.8	52.5
Cash and cash equivalents at start of year	19	79.2	26.7
Cash and cash equivalents at end of year	19	191.0	79.2

The notes on pages 213 to 235 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

Workspace Group PLC (the 'Company') and its subsidiaries (together 'the Group') are engaged in property investment in the form of letting of high-quality business accommodation to businesses across London.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK.

The registered number of the Company is 2041612.

BASIS OF PREPARATION
These financial statements are presented in Sterling, which is the Company's functional currency and the Group's presentation currency and have been prepared on a going concern basis, in accordance with International Accounting Standards in conformity with the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition the Group financial statements are required under the UK Disclosure and Transparency Rules 4.1.6, to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU").

The extended impact of the Covid-19 pandemic on the operations of the Group has been a key consideration when assessing the appropriateness of applying the going concern basis in the preparation of the financial statements. There is still some uncertainty as to how the economy will recover and whether there will be any long term impact on the demand for office space. We have therefore modelled a number of different scenarios considering a period of 12 months from the date of signing of these financial statements. These scenarios include a severe, but realistically possible, scenario which includes the following key assumptions:
- A gradual recovery period of two years from summer 2021 to return pre-pandemic levels of 90% occupancy.
- New lettings continue to be below the average price per sq. ft. of vacating customers until like for-like occupancy levels reach 90%.
- Continued higher levels of counterparty risk, with bad debt significantly higher than pre-pandemic levels.
- A further two months of Government restrictions on public movement in the winter of 2021 ("lockdown").
- The forecast assumes there will be no movement in yield, but the property valuation will decrease further in line with the fall in rent psf.

The Directors fully considered the Principal risks of the Company and how they may impact the model. Further details of the principal risks can be found on pages 63 to 70.

The appropriateness of the going concern basis is reliant on the continued availability of borrowings and compliance with loan covenants. The Group issued a £300m green bond and extended two thirds of the £250m revolving loan facility in March 2021. At 31 March 2021, the Group had a fully unsecured loan portfolio of £748.5m, which subsequently reduced to £684m following the early prepayment in April 2021 of the private placement loan notes due in 2023. All outstanding borrowings require compliance with LTV and Interest Cover covenants. As at the tightest test date in the scenarios modelled, the Group could withstand a reduction in net rental income of 55% and a fall in the asset valuation of 51% compared to 31 March 2021 before these covenants are breached, assuming no mitigating actions are taken.

As at 31 March 2021, the Company had significant headroom on its facilities with £184m of cash and undrawn facilities of £250m. Of the undrawn facilities, £83m is due to expire in June 2022. There is no other debt due to be refinanced until June 2023. For the full period of the scenario tested, the Group maintains sufficient headroom in its cash and loan facilities and loan covenants are met.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND GUIDANCE
a) During the year to 31 March 2021 the Group adopted the following accounting standards and guidance:

IFRS Standards	Amendments to References to the Conceptual Framework in IFRS Standards
IFRS 3 (amended)	Definition of a Business
IAS 1 and IAS 8 (amended)	Definition of Material
IFRS 9, IAS 39, IFRS 7 (amended)	Interest Rate Benchmark Reform

There was no material impact from the adoption of these accounting standard amendments on the financial statements.

b) The following accounting standards and guidance are not yet effective but are not expected to have a significant impact on the Group's financial statements or will result in changes to presentation and disclosure only. They have not been adopted early by the Group:

IFRS 17	Insurance contracts
IAS 1 (amended)	Classification of liabilities as current or non-current
IFRS 10 and IAS 28 (amended)	Sale or Contribution of Assets between an investor and its Associate or Joint Venture
IFRS 3 (amended)	Reference to the Conceptual Framework
IAS 16 (amended)	Property, Plant and Equipment: Proceeds before intended use

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Group's significant accounting policies are stated below. Not all of these accounting policies require management to make subjective or complex judgements. The following is intended to provide an understanding of the significant judgements within the accounting policies that management consider critical because of the assumptions or estimation involved in their application and their impact on the consolidated financial statements.

Investment property valuation

The Group uses the valuation performed by its independent valuer as the fair value of its investment properties. The valuation is based upon the key assumptions of estimated rental values and market based yields. With regard to redevelopments and refurbishments, future development costs and an appropriate discount rate are also used. In determining fair value the valuers make reference to market evidence and recent transaction prices for similar properties.

Management consider the significant assumptions to the valuation of investment properties to be estimated rental values and market based yields. Sensitivities on these assumptions are provided in note 10.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless stated otherwise.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings up to 31 March 2021. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

Inter company transactions, balances and unrealised gains from intra group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investment properties

Investment properties are those properties owned or leased by the Group that are held either to earn rental income or for capital appreciation, or both, and are not occupied by the Company or subsidiaries of the Group.

Investment property is measured initially at cost, including related transaction costs. After initial recognition investment property is held at fair value based on a valuation by an independent professional external valuer at each reporting date. The valuation methods and key assumptions applied are explained in note 10. Changes in fair value of investment property at each reporting date are recorded in the consolidated income statement.

Investment properties acquired under leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the net present value of the minimum lease payments. The investment properties acquired under leases are subsequently carried at fair value plus an adjustment for the carrying amount of the lease obligation. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. Each lease payment is allocated between liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the consolidated income statement.

Properties are treated as acquired at the point the Group assumes the significant risks and rewards of ownership and are treated as disposed when these are transferred outside of the Group's control.

Existing investment properties which undergo redevelopment and refurbishment for continued future use remain in investment property where the purpose of holding the property continues to meet the definition of investment property as defined above. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group, and the cost of each item can be reliably measured. Certain internal staff costs directly attributable to capital/redevelopment projects are capitalised. All other repairs and maintenance costs are charged to the consolidated income statement during the period in which they are incurred.

Capitalised interest on refurbishment/redevelopment expenditure is added to the asset's carrying amount. Borrowing costs capitalised are calculated by reference to the actual interest rate payable on borrowings, or if financed out of general borrowings by reference to the average rate payable on funding the assets employed by the Group and applied to the direct expenditure on the property undergoing redevelopment. Interest is capitalised from the date of commencement of the redevelopment activity until the date when substantially all the activities necessary to prepare the asset for its intended use are complete.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Investment properties are recognised as 'assets held for sale' when it is considered highly probable that sale completion will take place. This is assumed when a sale has exchanged contracts by the balance sheet date and its carrying amount is highly probable to be recovered within one year.

Income from the sale of assets is recognised when the significant risks and returns have been transferred to the buyer. In the case of sales of properties this is generally taken on completion of the contract. In the case of a part disposal agreement, the part of the asset being disposed will be derecognised from investment property when completion is reached or when a lease agreement is signed (i.e. when the risks and rewards of this part of the site transfer to the developer). Profit or loss on disposal is taken as the consideration receivable (net of costs) less the latest valuation (net book value) and is taken to other expense.

Consideration can take the form of cash, new commercial buildings and a right to future overage (generally being a share in the proceeds of any future sale of the residential development to be constructed by the developer). Revenue is recognised when all relevant criteria in IFRS 15 are met under the five-step model and recognised in the period they were earned.

Consideration (including overage) is measured at the fair value of the consideration received/ receivable.

Commercial property to be received is fair valued using the residual method described in note 10 and is included in investment property. Changes in fair value are recognised through the consolidated income statement in accordance with IAS 40.

Overage is only recognised once an agreement has been signed with a residential developer. Overage represents a financial asset and is designated as a financial asset at fair value through profit or loss upon initial recognition. The carrying value of overage is assessed at each period end and changes in fair value are taken to other expense.

Acquisitions

An acquisition is recognised when the risks and rewards of ownership have transferred. This is usually on completion of the transaction. Business combinations are accounted for using the acquisition method. Any excess of the purchase consideration over the fair value of the net assets acquired is recognised as goodwill, and reviewed annually for impairment. Any discount received or acquisition-related costs are recognised in the consolidated income statement.

Intangible assets

Intangible assets are stated at historical cost, less accumulated amortisation. Acquired computer software licences and external costs of implementing or developing computer software programs and websites are capitalised. These costs are amortised over their estimated useful lives of five years on a straight-line basis.

Costs associated with maintaining computer software programs are recognised as an expense as they fall due.

Property, plant and equipment

Equipment and fixtures

Equipment and fixtures are stated at historical purchase cost less accumulated depreciation and impairment. Historical cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Subsequent expenditure is charged to the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of each item can be reliably measured. All other repairs and maintenance costs are charged to the consolidated income statement during the period in which they are incurred.

Depreciation is provided using the straight-line method to allocate the cost less estimated residual value over the assets' estimated useful lives which range from four to ten years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at least at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Other investments

Investments in unlisted shares are accounted for under IFRS 9 at fair value, using a valuation multiple and financial information. Changes in fair value are shown in the consolidated statement of comprehensive income.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment based on the expected credit loss, which uses a lifetime expected loss allowance for all trade receivables based on the individual occupiers' circumstance. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The provision is recorded in the consolidated income statement.

Deferred consideration on the disposal of investment properties is included within trade and other receivables. It is fair valued on recognition and at each year end with any movement taken to other expense.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently held at amortised cost.

Cash and cash equivalents

Cash is represented by cash in hand, restricted cash in the form of tenants' deposits and deposits held on call with banks. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Bank overdrafts are included in current liabilities but within cash and cash equivalents for the purpose of the consolidated cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, with any difference between the initial amount (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method, except for interest capitalised on redevelopments.

Foreign currency translation
Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Derivative financial instruments and hedge accounting
The Group enters into derivative transactions in order to manage its exposure to foreign currency fluctuations and interest rate risks. Financial derivatives are recorded at fair value calculated by valuation techniques based on market prices, estimated future cash flows and forward interest rates.

For financial derivatives (where hedge accounting is not applied) movements in fair value are recognised in the consolidated income statement. In line with IFRS 13, fair values of financial derivatives are measured at the estimated amount that the Group would receive or pay to terminate the agreement at the balance sheet date, taking into account the current interest expectations and current credit value adjustment of the counterparties.

The Group applies hedge accounting for certain derivatives that are designated and effective as hedges of future cash flows (cash flow hedges). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in note 16. Movements on the hedging reserve in other comprehensive income are shown in note 20.

For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the consolidated statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within other gains/(losses). Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, to offset the currency movement on borrowings that are hedged at each period end). The gain or loss relating to the effective portion of swaps hedging the currency of borrowings is recognised in the consolidated income statement.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Investment in own shares
The Group operates an Employee Share Ownership Trust ('ESOT') and a trust for the Share Incentive Plan ('SIP'). When the Group funds these trusts in order to purchase Company shares, the loan is deducted from shareholders' equity as investment in own shares.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision maker is the Executive Committee of the Company. The Group considers that it has only one operating segment being a single portfolio of commercial property providing business accommodation for rent in London.

Revenue recognition
Revenue comprises rental income, service charges and other sums receivable from the Group's investment properties. Other sums comprise insurance charges, supplies of utilities, premia associated with surrender of tenancies, commissions, fees and other sundry income.

All the Group's properties are leased out under operating leases and are included in investment property in the consolidated balance sheet. In accordance with IFRS 16, rental income from leases is recognised in the consolidated income statement on a straight-line basis over the lease term. Rent received in advance is deferred in the consolidated balance sheet and recognised in the period to which it relates. If the Group provides significant incentives to its customers the incentives are recognised over the lease term on a straight-line basis.

Service charges and other sums receivable from tenants are recognised on an accruals basis by reference to the stage of completion of the relevant service or transactions at the reporting date. These services generally relate to a 12-month period.

Following the outbreak of Covid-19, Workspace provided assistance to its customers in the form of rent deferrals and rent discounts. Rent deferrals are recognised on a straight line basis over the life of the lease. Rent discounts were provided to customers retrospectively and after the rent had been invoiced. These discounts are considered to be a partial extinguishment of the rent receivable and are treated as a derecognition of a financial asset in accordance with IFRS 9 in the period to which they relate to.

Direct costs
Direct costs comprise service charges and other costs directly recoverable from tenants and non-recoverable costs directly attributable to investment properties and other revenue streams.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Exceptional items
Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

Share based payments
The Group operates a number of share schemes under which the Group receives services from employees as consideration for equity instruments of the Group.

The fair value of the employee services received in exchange for the grant of share awards and options is recognised as an expense over the vesting period.

Fair value is measured by the use of Black-Scholes and Binomial option pricing models. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Pensions
The Group operates a defined contribution pension scheme. Contributions are charged to the consolidated income statement on an accruals basis.

Taxation
Current income tax is tax payable on the taxable income for the year and any prior year adjustment, and is calculated using tax rates that are relevant to the financial year.

Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Compliance with the Real Estate Investment Trust ('REIT') taxation regime
The Group is a REIT and is thereby exempt from tax on both rental profits and chargeable gains from its UK property rental business.

In order to retain REIT status, certain ongoing criteria must be maintained. The main criteria are as follows:
- At the start of each accounting period, the assets of the tax exempt business must be at least 75% of the total value of the Group's assets.
- At least 75% of the Group's total profits must arise from the tax exempt business.
- At least 90% of the tax exempt business earnings must be distributed.

Dividend distributions
Final dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved, while interim dividends are recognised when paid.

1. ANALYSIS OF NET RENTAL INCOME AND SEGMENTAL INFORMATION

	2021			2020		
	Revenue £m	Direct costs £m	Net rental income £m	Revenue £m	Direct costs £m	Net rental income £m
Rental income	118.0	(24.4)	93.6	132.7	(2.2)	130.5
Service charges	20.3	(24.6)	(4.3)	21.8	(25.5)	(3.7)
Empty rates and other non-recoverables	–	(7.1)	(7.1)	–	(6.3)	(6.3)
Services, fees, commissions and sundry income	4.0	(4.7)	(0.7)	6.9	(5.4)	1.5
	142.3	(60.8)	81.5	161.4	(39.4)	122.0

Included within direct costs for rental income and service charge in the period are amounts of £17.8m (2020: £nil) and £2.1m (2020: £nil) respectively, relating to discounts provided to customers, accounted for in accordance with IFRS 9. Additionally, a charge of £4.2m (2020: £0.4m) for expected credit losses in respect of receivables from customers is recognised in direct costs of rental income in the period.

All of the properties within the portfolio are geographically close to each other and have similar economic features and risks. Management information utilised by the Executive Committee to monitor and review performance is reviewed as one portfolio. As a result, management have determined that the Group operates a single operating segment providing business accommodation for rent in London.

2. OPERATING PROFIT
The following items have been charged in arriving at operating profit:

	2021 £m	2020 £m
Depreciation[1]	2.0	0.9
Staff costs (including share based costs)[1] (note 5)	20.1	18.7
Repairs and maintenance expenditure on investment properties	2.5	2.4
Trade receivables impairment (note 13)	3.5	0.8
Amortisation of intangibles	0.9	0.5
Audit fees payable to the Company's Auditor	0.2	0.2

1. Charged to direct costs and administrative expenses based on the underlying nature of the expenses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. OPERATING PROFIT CONTINUED

Auditor's remuneration: services provided by the Company's Auditor and its associates	2021 £000	2020 £000
Audit fees:		
Audit of Parent Company and consolidated financial statements	207	178
Audit of subsidiary financial statements	33	31
	240	209
Fees for other services:		
Audit-related assurance services	96	31
Total fees payable to Auditor	336	240

	2021 £m	2020 £m
Total administrative expenses are analysed below:		
Staff costs	11.3	9.8
Cash-settled share based costs	0.2	–
Equity settled share based costs	2.3	2.6
Other	5.2	5.3
	19.0	17.7

3(A). LOSS ON DISPOSAL OF INVESTMENT PROPERTIES

	2021 £m	2020 £m
Proceeds from sale of investment properties (net of sale costs)	11.0	79.5
Book value at time of sale	(11.1)	(80.3)
Loss on disposal	(0.1)	(0.8)

3(B). OTHER EXPENSES

	2021 £m	2020 £m
Change in fair value of deferred consideration	0.2	0.2
	0.2	0.2

The value of deferred consideration (cash and overage) from the sale of investment properties has been revalued by CBRE Limited at 31 March 2021 and 31 March 2020. This resulted in a reduction in the fair value of deferred consideration of £0.2m at 31 March 2021 (31 March 2020: £0.2m). The amounts receivable are included in the consolidated balance sheet under current trade and other receivables (note 13).

4. FINANCE COSTS

	2021 £m	2020 £m
Interest payable on bank loans and overdrafts	(3.1)	(4.1)
Interest payable on other borrowings	(18.6)	(18.6)
Amortisation of issue costs of borrowings	(0.9)	(0.7)
Interest payable on leases	(1.6)	(1.7)
Interest capitalised on property refurbishments (note 10)	0.4	1.8
Foreign exchange (losses)/ gains on financing activities	(8.6)	4.2
Cash flow hedge – transfer from/ (to) equity	8.6	(4.2)
Finance costs	(23.8)	(23.3)
Exceptional finance costs	(16.4)	–
Total finance costs	(40.2)	(23.3)

The exceptional finance costs relate to the refinancing of the $100m & £84m private placement notes due 2023 which were repaid early in April 2021. An irrevocable notice for the repayment was given in March 2021. The costs included a £16.3m premium on redemption and £0.1m of unamortised finance costs. The costs have been calculated in accordance with IFRS 9, re-estimating the cash flows based on original effective interest rate with the adjustment being taken through P&L.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. EMPLOYEES AND DIRECTORS

Staff costs for the Group during the year were:	2021 £m	2020 £m
Wages and salaries	16.3	15.3
Social security costs	2.1	1.8
Other pension costs (note 27)	0.8	0.7
Cash-settled share based costs (note 23)	0.2	–
Equity settled share based costs (note 23)	2.3	2.6
	21.7	20.4
Less costs capitalised	(1.6)	(1.7)
	20.1	18.7

The monthly average number of people employed during the year was:	2021 Number	2020 Number
Head office staff (including Directors)	121	117
Estates and property management staff	118	118
	239	235

The emoluments and pension benefits of the Directors are determined by the Remuneration Committee of the Board and are set out in detail in the Directors' Remuneration Report on pages 167 to 197. These form part of the financial statements.

Total Directors' emoluments for the financial year were £1.7m (2020: £2.9m), comprising of £1.6m (2020: £1.4m) of Directors' remuneration, nil (2020: £1.4m) gain on exercise of share options and £0.1m (2020: £0.1m) of cash contributions in lieu of pension in respect of two Directors (2020: two).

6. TAXATION

	2021 £m	2020 £m
Current tax:		
UK corporation tax	–	0.8
Adjustments to tax in respect of previous periods	–	–
	–	0.8
Deferred tax:		
On origination and reversal of temporary differences	–	(0.4)
	–	–
Total taxation charge	–	0.4

Taxation chargeable in the year relates to income from non REIT activities such as overage, meeting room income and utilities recharges.

The tax on the Group's profit for the year differs from the standard applicable corporation tax rate in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £m	2020 £m
(Loss)/ profit before taxation	(235.7)	72.5
Tax at standard rate of corporation tax in the UK of 19% (2020: 19%)	(44.8)	13.8
Effects of:		
REIT exempt income	(8.0)	(14.3)
Changes in fair value not subject to tax as a REIT	49.0	1.4
Share based payment adjustments	(0.1)	–
Overage income subject to tax when received	–	(0.1)
Unrecognised losses carried forward	3.8	–
Utilisation of losses unrecognised brought forward	–	(0.4)
Other non-taxable expenses	0.1	–
Total taxation charge	–	0.4

The Group is a Real Estate Investment Trust ('REIT'). The Group's UK property rental business (both income and capital gains) is exempt from tax. The Group estimates that as the majority of its future profits will be exempt from tax, future tax charges are likely to be low.

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at balance sheet date has been calculated at 19% (2020: 19%).

The Group currently has an unrecognised asset in relation to tax losses carried forward of £5.6m (2020: £1.3m) calculated at a corporation tax rate of 19% (2020: 19%).

	2021 £m	2020 £m
Deferred tax assets:		
– Deferred tax to be recovered within 12 months	0.5	0.8
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered within 12 months	(0.1)	(0.2)
Deferred tax assets (net)	0.4	0.6

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. TAXATION CONTINUED

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Other income (overage receipts) £m	Total £m
At 1 April 2019	0.6	0.6
Credited to income statement	(0.4)	(0.4)
At 31 March 2020	0.2	0.2
Credited to income statement	(0.1)	(0.1)
At 31 March 2021	0.1	0.1

Deferred tax assets	Expenses (share based payment) £m	Tax losses £m	Total £m
At 1 April 2019	(0.6)	(0.2)	(0.8)
Charged to income statement	–	–	–
At 31 March 2020	(0.6)	(0.2)	(0.8)
Other movement	–	0.2	0.2
Charged to income statement	0.1	–	0.1
At 31 March 2021	(0.5)	–	(0.5)

7. DIVIDENDS

	Payment date	Per share	2021 £m	2020 £m
For the year ended 31 March 2019:				
Final dividend	August 2019	22.26p	–	40.1
For the year ended 31 March 2020:				
Interim dividend	February 2020	11.67p	–	21.1
Final dividend	August 2020	24.49p	44.2	–
Dividends for the year			44.2	61.2
Timing difference on payment of withholding tax			2.1	(0.2)
Dividends cash paid			46.3	61.0

The Directors are proposing a final dividend in respect of the financial year ended 31 March 2021 of 17.75p pence per ordinary share which will absorb an estimated £32.1m of revenue reserves and cash. If approved by the shareholders at the AGM, it will be paid on 6 August 2021 to shareholders who are on the register of members on 2 July 2021. The dividend will be paid as a REIT Property Income Distribution ('PID') net of withholding tax where appropriate.

8. EARNINGS PER SHARE

Earnings used for calculating earnings per share:	2021 £m	2020 £m
Basic and diluted earnings	(235.7)	72.1
Change in fair value of investment properties	257.7	7.5
Exceptional finance costs	16.4	–
Profit on disposal of investment properties	0.1	0.8
EPRA earnings	38.5	80.4
Adjustment for non-trading items:		
Other expenses	0.2	0.2
Taxation	–	0.4
Trading profit after interest	38.7	81.0

Earnings have been adjusted to derive an earnings per share measure as defined by the European Public Real Estate Association ('EPRA') and an adjusted underlying earnings per share measure.

Number of shares used for calculating earnings per share:	2021 Number	2020 Number
Weighted average number of shares (excluding own shares held in trust)	180,839,945	180,465,649
Dilution due to share option schemes	–	981,867
Weighted average number of shares for diluted earnings per share	180,839,945	181,447,516

In pence:	2021	2020
Basic (loss)/ earnings per share	(130.3p)	40.0p
Diluted (loss)/ earnings per share	(130.3p)	39.7p
EPRA earnings per share	21.3p	44.5p
Adjusted underlying earnings per share[1]	21.3p	44.6p

1. Adjusted underlying earnings per share is calculated by trading profit after interest on a diluted weighted average number of shares of 181,831,833 (2020: 181,447,516).

The diluted loss per share for the period to 31 March 2021 has been restricted to a loss of 130.3p per share, as the loss per share cannot be reduced by dilution in accordance with IAS 33, Earnings per Share.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. NET ASSETS PER SHARE AND TOTAL ACCOUNTING RETURN

Net assets used for calculating net assets per share:	2021 £m	2020 £m
Net assets at end of year (basic)	1,719.5	1,998.0
Derivative financial instruments at fair value	(8.7)	(18.5)
EPRA net assets	1,710.8	1,979.5

Number of shares used for calculating net assets per share:	2021 Number	2020 Number
Shares in issue at year end	181,113,594	180,747,868
Less own shares held in trust at year end	(159,139)	(174,719)
Dilution due to share option schemes	1,116,127	1,232,747
Number of shares for calculating diluted adjusted net assets per share	182,070,582	181,805,896

	2021	2020
EPRA net assets per share	£9.40	£10.89
Basic net assets per share	£9.50	£11.07
Diluted net assets per share	£9.44	£10.99

Net assets have been adjusted and calculated on a diluted basis to derive a net asset per share measure as defined by EPRA.

EPRA Net Asset Value Metrics

EPRA published updated best practice reporting guidance in October 2019, which included three new Net Asset Valuation metrics; EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV). This new set of EPRA NAVs metrics came into full effect for accounting periods starting from 1 January 2020, presented below for comparison to the previous EPRA NAV metric.

	March 2021			March 2020		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to shareholders	1,719.5	1,719.5	1,719.5	1,998.0	1,998.0	1,998.0
Fair value of derivative financial instruments	(8.7)	(8.7)	–	(18.5)	(18.5)	–
Intangibles per IFRS balance sheet	–	(2.3)	–	–	(2.0)	–
Excess of fair value of debt over book value	–	–	22.2	–	–	11.9
Purchasers' costs	158.1	–	–	187.8	–	–
New EPRA measure	1,868.9	1,708.5	1,741.7	2,167.3	1,977.5	2,009.9
New EPRA measure per share	£10.26	£9.38	£9.57	£11.92	£10.88	£11.06

Reconciliation to previously reported EPRA NAV

	March 2021			March 2020		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
EPRA NAV	1,710.8	1,710.8	1,710.8	1,979.5	1,979.5	1,979.5
Include fair value of derivative financial instruments	–	–	8.7	–	–	18.5
Exclude intangibles per IFRS balance sheet	–	(2.3)	–	–	(2.0)	–
Excess of fair value of debt over book value	–	–	22.2	–	–	11.9
Purchasers' costs	158.1	–	–	187.8	–	–
New EPRA measure	1,868.9	1,708.5	1,741.7	2,167.3	1,977.5	2,009.9

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. NET ASSETS PER SHARE AND TOTAL ACCOUNTING RETURN CONTINUED

Total accounting return

Total Accounting Return	2021 £	2020 £
Opening EPRA net tangible assets per share (A)	10.88	10.85
Closing EPRA net tangible assets per share	9.38	10.88
(Decrease)/ Increase in EPRA net tangible assets per share	(1.50)	0.03
Ordinary dividends paid in the year	0.24	0.34
Total return (B)	(1.26)	0.37
Total accounting return (B/A)	(11.5%)	3.4%

The total accounting return for the year comprises the growth in absolute EPRA net tangible assets per share plus dividends paid in the year as a percentage of the opening EPRA net tangible assets per share. The total return for the year ended 31 March 2021 was (11.5%) (31 March 2020: 3.4%).

10. INVESTMENT PROPERTIES

	2021 £m	2020 £m
Balance at 1 April	2,586.3	2,591.4
Purchase of investment properties	–	–
Capital expenditure	22.8	53.5
Change in value of lease obligations	(1.9)	12.4
Capitalised interest on refurbishments (note 4)	0.4	1.8
Disposals during the year	–	(65.3)
Change in fair value of investment properties	(257.7)	(7.5)
Less: Reclassified as deferred consideration	–	–
Less: Classified as assets held for sale	–	–
Balance at 31 March	2,349.9	2,586.3

Investment properties represent a single class of property being business accommodation for rent in London.

Capitalised interest is included at a rate of capitalisation of 3.7% (2020: 4.0%). The total amount of capitalised interest included in investment properties is £14.5m (2020: £14.1m).

The change in fair value of investment properties is recognised in the consolidated income statement.

Investment properties include buildings with a carrying amount of £271m (2020: £305m) held under leases with a carrying amount of £26.3m (2020: £28.2m). Investment property lease commitment details are shown in note 17.

Valuation

The Group's investment properties are held at fair value and were revalued at 31 March 2021 by the external valuer, CBRE Limited, a firm of independent qualified valuers in accordance with the Royal Institution of Chartered Surveyors Valuation – Global Standards at this balance sheet date. All the properties are revalued at period end regardless of the date of acquisition. In line with IFRS 13, all investment properties are valued on the basis of their highest and best use. For like-for-like properties their current use equates to the highest and best use. For properties undergoing refurbishment or redevelopment, most of these are currently being used for business accommodation in their current state. However, the valuation is based on the current valuation at the balance sheet date including the impact of the potential refurbishment and redevelopment as this represents the highest and best use.

The Executive Committee and the Board both conduct a detailed review of each property valuation to review appropriate assumptions have been applied. Meetings are held with the valuers to review and challenge the valuations, to confirm that they have considered all relevant information, and rigorous reviews are performed to check that valuations are sensible. In particular, they discussed the impact on the valuation of the Covid-19 rent reductions. They are satisfied with the valuers conclusions.

The valuation as at 31 March 2020, was subject to a material valuation uncertainty clause due to the uncertainty in the property market following the outbreak of Covid-19. In addition, to allow for the immediate impact of the pandemic, the valuers reflected in their assessment a £32m deduction that a buyer might expect to allow for the risk of increased customer defaults and non-payment of rent. This deduction was calculated based on the assumption that two quarters of rent would be discounted by 50%. The valuation as at 31 March 2021 does not include a material uncertainty clause and does not include a similar deduction.

The valuation of like-for-like properties (which are not subject to refurbishment or redevelopment) is based on the income capitalisation method which applies market-based yields to the Estimated Rental Values ('ERVs') of each of the properties. Yields are based on current market expectations depending on the location and use of the property. ERVs are based on estimated rental potential considering current rental streams and market comparatives whilst also considering the occupancy and timing of rent reviews at each property. Although occupancy and rent review timings are known, and there is market evidence for transaction prices for similar properties, there is still a significant element of estimation and judgement in estimating ERVs. As a result of adjustments made to market observable data, the significant inputs are deemed unobservable under IFRS 13.

When valuing properties being refurbished by Workspace, the residual value method is used. The completed value of the refurbishment is determined as for like-for-like properties above. Capital expenditure required to complete the building is then deducted and a discount factor is applied to reflect the time period to complete construction and allowance made for construction and market risk to arrive at the residual value of the property.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. INVESTMENT PROPERTIES CONTINUED

Valuation continued

The discount factor used is the property yield that is also applied to the estimated rental value to determine the value of the completed building. Other risks such as unexpected time delays relating to planned capital expenditure are assessed on a project-by-project basis, looking at market comparable data where possible and the complexity of the proposed scheme.

Redevelopment properties are also valued using the residual value method. The completed proposed redevelopment which would be undertaken by a residential developer is valued based on the market value for similar sites and then adjusted for costs to complete, developer's profit margin and a time discount factor. Allowance is also made for planning and construction risk depending on the stage of the redevelopment. If a contract is agreed for the sale/redevelopment of the site, the property is valued based on agreed consideration.

For all methods the valuers are provided with information on tenure, letting, town planning and the repair of the buildings and sites.

The reconciliation of the valuation report total to the amount shown in the consolidated balance sheet as non-current assets, investment properties, is as follows:

	2021 £m	2020 £m
Total per CBRE valuation report	2,324.2	2,574.4
Deferred consideration on sale of property	(0.6)	(5.3)
Head leases treated as leases under IFRS 16	26.3	28.2
Less: Reclassified as assets held for sale	–	(11.0)
Total investment properties per balance sheet	2,349.9	2,586.3

The Group's investment properties are carried at fair value and under IFRS 13 are required to be analysed by level depending on the valuation method adopted. The different valuation methods are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2 – Use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data.
Level 3 – Use of a model with inputs that are not based on observable market data.

As noted in the Significant judgements, key assumptions and estimates section, property valuations are complex and involve data which is not publicly available and involves a degree of judgement. All the investment properties are classified as Level 3, due to the fact that one or more significant inputs to the valuation are not based on observable market data. If the degree of subjectivity or nature of the measurement inputs changes then there could be a transfer between Levels 2 and 3 of classification. No changes requiring a transfer have occurred during the current or previous year.

The following table summarises the valuation techniques and inputs used in the determination of the property valuation.

Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	1,790.5	A	£12-£68	£42	4.5%-7.4%	5.8%
Completed projects	180.7	A	£19-£48	£31	4.5%-6.5%	5.7%
Refurbishments	255.7	A/B	£20-£70	£36	3.8%-6.6%	5.1%
Redevelopments	96.7	A/B	£14-£33	£20	3.9%-6.7%	5.3%
Head leases	26.3	n/a	–	–	–	–
Total	2,349.9					

A = Income capitalisation method.
B = Residual value method.

A key unobservable input for redevelopments at planning stage and refurbishments is developer's profit. The range is 14%–19% with a weighted average of 16%.

Costs to complete is a key unobservable input for redevelopments at planning stage with a range of £213–£242 per sq. ft. and a weighted average of £232 per sq. ft.

Costs to complete are not considered to be a significant unobservable input for refurbishments due to the high percentage of costs that are fixed.

Sensitivity analysis:

A +/- 10% movement in ERVs or a +/- 25 basis points movement in yields would result in the following increase/decrease in the valuation.

£m	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+179/-179	-74/+81
Completed projects	+18/-18	-8/+8
Refurbishments	+28/-28	-16/+17
Redevelopments	+9/-7	-3/+5

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. PROPERTY, PLANT AND EQUIPMENT

Cost or valuation	Equipment and fixtures £m
1 April 2019	8.7
Additions during the year	2.3
Balance at 31 March 2020	11.0
Additions during the year	1.2
Disposals during the year	(1.6)
Balance at 31 March 2021	10.6
Accumulated depreciation	
1 April 2019	5.3
Charge for the year	0.9
Balance at 31 March 2020	6.2
Charge for the year	2.0
Disposals during the year	(1.6)
Balance at 31 March 2021	6.6
Net book amount at 31 March 2021	4.0
Net book amount at 31 March 2020	4.8

12. OTHER INVESTMENTS

The Group holds the following investment:

	2021 £m	2020 £m
15% of share capital of Excell Holdings Limited (2020: 15%)	7.9	7.9
	7.9	7.9

In accordance with IFRS 9 the valuation of the share in Excell Holdings has been adjusted to fair value, resulting in no movement in the financial year (2020: a reduction of £1.9m), recognised in the consolidated statement of comprehensive income.

13. TRADE AND OTHER RECEIVABLES

Current trade and other receivables	2021 £m	2020 £m
Trade receivables	16.0	11.1
Less provision for impairment of receivables	(4.6)	(1.1)
Trade receivables – net	11.4	10.0
Prepayments, other receivables and accrued income	12.8	9.9
Deferred consideration on sale of investment properties	5.1	5.3
	29.3	25.2

Receivables at fair value

Included within deferred consideration on sale of investment properties is £0.6m (2020: £0.8m) of overage which is held at fair value through profit and loss. In the current year, as the amounts receivable are expected within the following 12 months they have been classified as current receivables.

The deferred consideration arising on the sale of investment properties relates to cash and overage. The overage has been fair valued by CBRE Limited using appropriate discount rates, and will be revalued on a regular basis. This is a Level 3 valuation of a financial asset, as defined by IFRS 13. The change in fair value recorded in the consolidated income statement, including both current and non-current elements, was a loss of £0.2m (31 March 2020: £0.2m) (note 3(b)).

	2021 £m	2020 £m
Deferred consideration on sale of investment properties:		
Balance at 1 April	5.3	2.9
Cash received	–	(1.9)
Additions/reclassifications	–	4.5
Change in fair value	(0.2)	(0.2)
Balance at 31 March	5.1	5.3

Receivables at amortised cost

The remaining receivables are held at amortised cost. There is no material difference between the above amounts and their fair values due to the short-term nature of the receivables. Trade receivables are impaired when there is evidence that the amounts may not be collectable under the original terms of the receivable. All the Group's trade and other receivables are denominated in Sterling.

Trade receivables and the corresponding provision for bad debts have increased in the year to 31 March 2021 as a result of delayed payments from customers impacted by Covid-19. Receivables outstanding for more than 30 days amount to £8.1m and are subject to a provision for bad debt of £4.0m. The balance of £4.1m, not subject to a bad debt provision, has either been received post year end or is covered by available tenants deposits.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. TRADE AND OTHER RECEIVABLES CONTINUED

Receivables at amortised cost continued

Movements on the provision for impairment of trade receivables are shown below:

	2021 £m	2020 £m
Balance at 1 April	1.1	0.7
Increase in provision for impairment of trade receivables	4.3	0.8
Receivables written off during the year	(0.8)	(0.4)
Balance at 31 March	4.6	1.1

14. CASH AND CASH EQUIVALENTS

	2021 £m	2020 £m
Cash at bank and in hand	183.6	70.3
Restricted cash – tenants' deposit deeds	7.4	8.9
	191.0	79.2

Tenants' deposit deeds represent returnable cash security deposits received from tenants and are held in ring-fenced bank accounts in accordance with the terms of the individual lease contracts.

15. TRADE AND OTHER PAYABLES

	2021 £m	2020 £m
Trade payables	10.4	4.8
Other tax and social security payable	3.6	5.6
Corporation tax payable	–	0.8
Tenants' deposit deeds (note 14)	7.4	8.9
Tenants' deposits	20.7	25.6
Accrued expenses	43.4	26.6
Deferred income – rent and service charges	9.5	10.8
	95.0	83.1

There is no material difference between the above amounts and their fair values due to the short-term nature of the payables.

16. BORROWINGS

(a) Balances

	2021 £m	2020 £m
Current		
Senior Floating Rate Notes 2020 (unsecured)	–	9.0
5.6% Senior US Dollar Notes 2023 (unsecured)	72.6	–
5.53% Senior Notes 2023 (unsecured)	84.0	–
Non-current		
Bank loans (unsecured)	(0.8)	153.0
5.6% Senior US Dollar Notes 2023 (unsecured)	–	81.0
5.53% Senior Notes 2023 (unsecured)	–	83.9
3.07% Senior Notes (unsecured)	79.8	79.8
3.19% Senior Notes (unsecured)	119.7	119.7
3.6% Senior Notes (unsecured)	99.8	99.8
Green Bond (unsecured)	297.7	–
	752.8	626.2

In March 2021, the Group issued a green bond of £300m. At year end the bank loan facility had been fully repaid, there are unamortised finance costs of £0.8m (2020: £1.0m) included within borrowings.

(b) Net debt

	2021 £m	2020 £m
Borrowings per (a) above	752.8	626.2
Adjust for:		
Cost of raising finance	3.8	1.9
Foreign exchange differences	(8.1)	(16.6)
	748.5	611.5
Cash at bank and in hand (note 14)	(183.6)	(70.3)
Net debt	564.9	541.2

At 31 March 2021 the Group had £250m (2020: £96m) of undrawn bank facilities, a £2m overdraft facility (2020: £2m) and £183.6m of unrestricted cash (2020: £70.3m).

Net debt represents borrowing facilities drawn, less cash at bank and in hand. It excludes impacts of foreign exchange differences as these are fixed via swaps, lease obligations and any cost of raising finance as they have no future cash flows.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. BORROWINGS CONTINUED

(c) Maturity

	2021 £m	2020 £m
Repayable within one year	148.5	9.0
Repayable between one year and two years	–	–
Repayable between two years and three years	–	154.0
Repayable between three years and four years	–	148.5
Repayable between four years and five years	80.0	–
Repayable in five years or more	520.0	300.0
	748.5	611.5
Cost of raising finance	(3.8)	(1.9)
Foreign exchange differences	8.1	16.6
	752.8	626.2

(d) Interest rate and repayment profile

	Principal at period end £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand	–	Base+2.25%	Variable	On demand
Private Placement Notes:				
5.6% Senior US Dollar Notes	64.5	5.6%	Half year	April 2021
5.53% Senior Notes	84.0	5.53%	Half year	April 2021
Non-current				
Private Placement Notes:				
3.07% Senior Notes	80.0	3.07%	Half yearly	August 2025
3.19% Senior Notes	120.0	3.19%	Half yearly	August 2027
3.6% Senior Notes	100.0	3.6%	Half yearly	January 2029
Bank Loan	–	LIBOR+1.65%	Monthly	June 2022 & June 2023
Green Bond	300.0	2.25%	Half yearly	March 2028
	748.5			

Irrevocable notice was given on 31 March 2021 to repay the private placement notes due for repayment in June 2023 on 30 April 2021, the termination costs have been reflected in exceptional finance costs.

(e) Derivative financial instruments

The Group has cross currency swaps to ensure the US Dollar liability streams generated from the US Dollar Notes are fully hedged into Sterling for the life of the transaction. Through entering into cross currency swaps the Group has created a synthetic Sterling fixed rate liability totalling £64.5m.

These swaps have been designated as a cash flow hedge with changes in fair value dealt with in other comprehensive income. The Group has elected to continue applying hedge accounting as set out in IAS 39 to these swaps as permitted by IFRS 9.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The critical terms of this hedging relationship perfectly matched at origination, so for the prospective assessment of effectiveness a qualitative assessment was performed. Quantitative retrospective effectiveness tests using the hypothetical derivative method are performed at each period end to determine the continuing effectiveness of the relationship. Sources of hedge ineffectiveness include credit risk or changes made to the critical terms of the hedged item or the hedged instrument.

The effects of the cash flow US Dollar swap hedging relationship is as follows:

	2021	2020
Carrying amount of derivative	8.7	18.5
Change in fair value of designated hedging instrument	(9.8)	8.3
Change in fair value of designated hedged item	8.6	(4.2)
Notional amount £m	64.5	64.5
Notional amount ($m)	100	100
Rate payable (%)	5.66%	5.66%
Maturity	June 2023	June 2023
Hedge ratio	1:1	1:1

The cash flow hedge was terminated in line with the repayment of the US Dollar Notes.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. BORROWINGS CONTINUED

(f) Financial instruments and fair values

	2021 Book value £m	2021 Fair value £m	2020 Book value £m	2020 Fair value £m
Financial liabilities held at amortised cost				
Bank loans	(0.8)	(0.8)	153.0	154.0
Private Placement Notes	455.9	478.1	473.2	484.1
Lease obligations	26.3	26.3	28.2	28.2
Green bond	297.7	297.7	–	–
	779.1	801.3	654.4	666.3
Financial assets at fair value through other comprehensive income				
Derivative financial instruments:				
Cash flow hedge – derivatives used for hedging	8.7	8.7	18.5	18.5
Other investments	7.9	7.9	6.9	6.9
	16.6	16.6	25.4	25.4
Financial assets at fair value through profit or loss				
Deferred consideration (overage)	5.1	5.1	5.3	5.3
	5.1	5.1	5.3	5.3

In accordance with IFRS 13 disclosure is required for financial instruments that are carried or disclosed in the financial statements at fair value. The fair values of all the Group's financial derivatives, bank loans and Private Placement Notes, have been determined by reference to market prices and discounted expected cash flows at prevailing interest rates and are Level 2 valuations. There have been no transfers between levels in the year.

The different levels of valuation hierarchy as defined by IFRS 13 are set out in note 10.

(g) Financial instruments by category

Assets	2021 £m	2020 £m
a) Assets at value through profit or loss		
Deferred consideration (overage)	5.1	5.3
	5.1	5.3
b) Loans and receivables		
Cash and cash equivalents	191.0	79.2
Trade and other receivables excluding prepayments[1]	14.5	11.7
	205.5	90.9
c) Assets at value through other comprehensive income		
Cash flow hedge – derivatives used for hedging	8.7	18.5
Other investments	7.9	6.9
	16.6	25.4
Total	227.2	121.6

Liabilities	2021 £m	2020 £m
Other financial liabilities at amortised cost		
Borrowings	752.8	626.2
Lease liabilities	26.3	28.2
Trade and other payables excluding non-financial liabilities[2]	81.9	65.9
	861.0	720.3

1. Trade and other receivables exclude prepayments of £9.7m (2020: £8.2m) and non-cash deferred consideration of £5.1m (2020: £5.3m).
2. Trade and other payables exclude other tax and social security of £3.6m (2020: £5.6m), corporation tax of nil (2020: £0.8m) and deferred income of £9.5m (2020: £10.8m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. BORROWINGS CONTINUED

(h) Changes in liabilities from financing activities

	Bank loans and borrowings £m	Lease liabilities £m	Derivatives used for hedging-assets £m
Balance at 1 April 2020	626.2	28.2	18.5
Changes from financing cash flows:		–	–
Proceeds from bank borrowings and Private Placement Notes	54.0	–	–
Repayment of bank borrowings and Private Placement Notes	(217.0)	–	–
Proceeds from green bond	299.5	–	–
Total changes from cash flows	136.5	–	–
Changes in fair value of derivative financial instruments	–	–	(9.8)
Foreign exchange differences	(8.5)	–	–
Amortisation of issue costs of borrowing	(1.4)	–	–
Changes in leases	–	(1.9)	–
Interest payable	21.7	1.6	–
Interest paid	(21.7)	(1.6)	–
Total other changes	(9.9)	(1.9)	(9.8)
Balance at 31 March 2021	752.8	26.3	8.7

17. LEASE OBLIGATIONS

Lease liabilities are in respect of leased investment property.

Minimum lease payments under leases fall due as follows:

	2021 £m	2020 £m
Within one year	1.6	1.7
Between two and five years	6.6	6.8
Beyond five years	148.4	156.0
	156.6	164.5
Future finance charges on leases	(130.3)	(136.3)
Present value of lease liabilities	26.3	28.2

Following the adoption of IFRS 16 lease obligations, which were previously included in borrowings, have been shown separately on the face of the balance sheet. The balance represents a non-current liability as the payment shown within one year of £1.6m (2020: £1.7m) is offset by future finance charges on leases of £1.6m (2020: £1.7m).

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

The Group has identified exposure to the following financial risks:
- Market risk.
- Credit risk.
- Liquidity risk.
- Capital risk management.

The policies for managing each of these risks and the principal effects of these policies on the results for the year are summarised below:

(a) Market risk

Market risk is the risk that changes in market conditions will affect the Group's interest rates. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group finances its operations through a mixture of retained profits and borrowings. The Group borrows at both fixed and floating rates of interest and then uses interest rate and cross currency swaps and caps to generate the desired interest and risk profile. The Group has entered into a cross currency swap to ensure the US Dollar liability streams generated from the US Dollar private placement notes are fully hedged into Sterling for the life of the transaction. At 31 March 2021 100% (2020: 73%) of Group borrowings were fixed or fixed through the use of interest rate and cross currency swaps.

All transactions entered into are approved by the Board and are in accordance with the Group's treasury policy. The Board also monitors variances on interest rates to budget and forecast rates to ensure that the risk relating to interest rates is being sufficiently safeguarded against. As at year end all our borrowings drawn were all at fixed interest rate, a reasonably possible interest rate movement of +/-0.5% would have increased and decreased net interest payable by nil (2020: £0.8m).

Interest cover covenants in relation to Group borrowings is a ratio of 2.0x and the Group targets a minimum cover of 2.5x. As at 31 March 2021 interest cover was 3.8x. Interest cover is calculated as net rental income divided by finance costs (excluding exceptional finance costs).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY CONTINUED

(b) Credit risk

The Group's main financial assets are cash and cash equivalents, deposits with banks and financial institutions and trade and other receivables.

Credit risk is the risk of financial loss if a tenant or a counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to this risk principally relates to the receivables from tenants, deferred consideration on the sale of investment property and cash and cash equivalent balances held with counterparties.

The Group's exposure to credit risk in relation to receivables from tenants is influenced mainly by the characteristics of individual tenants occupying its rental properties. The Group has around 4,196 lettable units with overall occupancy of 77.8% at 58 properties. The largest 10 single tenants generate around 20% of net rent roll. As such, the credit risk attributable to individual tenants is low.

The Group's credit risk in relation to tenants is further managed by requiring that tenants provide a deposit equivalent to three months' rent on inception of lease as security against default. Total tenant deposits held are £28.1m (2020: £34.5m). The Group monitors aged debt balances and any potential bad debts every week, the information being reported to the Executive Committee every month as part of the performance monitoring process. The Group's debt recovery is consistently high and as such is deemed a low risk area.

In light of Covid-19 the Group's exposure to credit risk may be higher in the short term as customers deal with the unprecedented impact of the pandemic.

Deferred consideration (cash and overage) on the sale of investment properties is contractual and valued regularly by the external valuer based on current and future market factors. Cash and cash equivalents and financial derivatives are held with major UK high street banks or building societies and strict counterparty limits are operated on deposits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2021 £m	2020 £m
Cash and cash equivalents (note 14)	191.0	79.2
Trade receivables – current (note 13)	11.4	10.0
Deferred consideration – current (note 13)	5.1	5.3
	207.5	94.5

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to target a minimum headroom on loan facilities of £50m, so as to enable it to have sufficient funds to meet financial obligations as they fall due. This is performed via a variety of methods including daily cash flow review and forecasting, monthly monitoring of the maturity profile of debt and the regular revision of borrowing facilities in relation to the Group's requirements and strategy. The Board reviews compliance with loan covenants which include agreed interest cover and loan to value ratios, alongside review of available headroom on loan facilities.

To manage its liquidity effectively, the Group has an overdraft facility of £2m (2020: £2m) and a revolving loan facility of £250m (2020: £250m). At 31 March 2021 headroom excluding overdraft and cash was £250m (31 March 2020: £96m).

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities, derivative financial instruments and trade and other payables existing at the balance sheet date. Contracted cash flows are based upon the loan balances and applicable interest rates payable on these at each year end.

31 March 2021	Carrying* amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
Financial liabilities						
Bank loans	–	–	–	–	–	–
Private placement notes	448.5	158.4	9.9	9.9	332.3	510.5
Green bond	300.0	6.8	6.8	6.8	326.1	346.5
Lease liabilities	26.3	1.6	1.6	1.6	151.8	156.6
Trade and other payables[1]	95.0	95.0	–	–	–	95.0
	869.8	261.8	18.3	18.3	810.2	1,108.6

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY CONTINUED

(c) Liquidity risk continued

31 March 2020	Carrying[2] amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
Financial liabilities						
Bank loans	154.0	2.7	2.7	2.7	151.8	159.9
Private Placement Notes	457.5	27.5	17.9	18.2	492.1	555.7
Lease liabilities	28.2	1.7	1.7	1.7	162.7	167.8
Trade and other payables[1]	65.9	65.9	–	–	–	65.9
	705.6	97.8	22.3	22.6	806.6	949.3

1 Trade and other payables exclude other tax and social security of £3.6m (2020: £5.6m), corporation tax of nil (2020: £0.8m) and deferred income of £9.5m (2020: £10.8m).
2 Excludes unamortised borrowing costs.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and monitor an appropriate mix of debt and equity financing.

Equity comprises issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. Debt comprises public bond, revolving loan facilities from banks, private placement notes less cash at bank and in hand.

The foreign currency risk on the US Dollar Private Placement Notes is fully hedged through a cross currency swap.

At 31 March 2021 Group equity was £1,719.5m (2020: £1,998.0m) and Group net debt (debt less cash at bank and in hand) was £564.9m (2020: £541.2m). Group gearing at 31 March 2021 was 33% (2020: 27%).

The Group's borrowings are all unsecured. The loan to value covenant applicable to these borrowings is 60% and compliance is being met comfortably. Loan to value at 31 March 2021 was 24%. This is calculated using the total CBRE investment property valuation (as per note 10) and the current net debt (as per note 16b). Our target is to maintain loan to value below 30%. This may from time-to-time be exceeded up to a maximum of 40% as steps are taken to reduce loan to value to below 30%.

19. NOTES TO CASH FLOW STATEMENT

Reconciliation of profit for the year to cash generated from operations:

	2021 £m	2020 £m
(Loss)/ profit before tax	(235.7)	72.5
Depreciation	2.0	0.9
Amortisation of intangibles	0.9	0.5
(Loss)/ profit on disposal of investment properties	0.1	0.8
Other expenses	0.2	0.2
Net loss from change in fair value of investment property	257.7	7.5
Equity settled share based payments	2.5	2.6
Finance costs	23.8	23.0
Exceptional finance costs	16.4	–
Changes in working capital:		
Increase in trade and other receivables	(4.4)	(9.5)
(Decrease)/ Increase in trade and other payables	(1.1)	10.2
Cash generated from operations	62.4	108.7

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2021 £m	2020 £m
Cash at bank and in hand	183.6	70.3
Restricted cash – tenants' deposit deeds	7.4	8.9
	191.0	79.2

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. SHARE CAPITAL AND SHARE PREMIUM

	2021 £m	2020 £m
Issued: Fully paid ordinary shares of £1 each	181.1	180.7

Movements in share capital were as follows:	2021 Number	2020 Number
Number of shares at 1 April	180,747,868	180,385,498
Issue of shares	365,726	362,370
Number of shares at 31 March	181,113,594	180,747,868

The Group issued 365,726 shares (2020: 362,370 shares) during the year to satisfy the exercise of share options with net proceeds of £0.1m (2020: £0.7m).

	Share capital		Share premium	
	2021 £m	2020 £m	2021 £m	2020 £m
Balance at 1 April	180.7	180.4	295.4	295.1
Issue of shares	0.4	0.3	0.1	0.3
Balance at 31 March	181.1	180.7	295.5	295.4

21. OTHER RESERVES

	Other Investment Reserve £m	Equity settled share based payments £m	Merger reserve £m	Hedging reserve £m	Total £m
Balance at 1 April 2019	4.0	17.6	8.7	(2.9)	27.4
Share based payments	–	2.6	–	–	2.6
Change in fair value of other investments (note 12)	(1.9)	–	–	–	(1.9)
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	–	4.1	4.1
Balance at 31 March 2020	2.1	20.2	8.7	1.2	32.2
Share based payments	–	2.5	–	–	2.5
Issue of shares	–	(0.4)	–	–	(0.4)
Change in fair value of other investments (note 12)	–	–	–	–	–
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	–	(1.2)	(1.2)
Balance at 31 March 2021	2.1	22.3	8.7	–	33.1

22. INVESTMENT IN OWN SHARES

The Company has an Employee Share Ownership Trust ('ESOT') and a trust for the Share Incentive Plan ('SIP'). Shares are purchased in the market for distribution at a later date in accordance with the terms of the various share schemes. The shares are held by independent trustees. At 31 March 2021 the number of shares held by the ESOT totalled 75,226 (2020: 75,226).

The SIP is governed by HMRC rules (note 22). At 31 March 2021 the number of shares held for the SIP totalled 83,913 (2020: 96,026).

	2021 £m	2020 £m
Balance at 1 April	9.6	9.3
Shares purchased for the trusts	–	0.3
Balance at 31 March	9.6	9.6

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. SHARE BASED PAYMENTS

The Group operates a number of share schemes:

(a) Long Term Incentive Plan ('LTIP')

The LTIP scheme is a performance award scheme whereby shares are issued against Group performance measures which are assessed over the three-year vesting period.

The performance measures are:
- Relative TSR.
- Total Property Return compared to the IPD benchmark.

The shares are issued at nil cost to the individuals provided the performance conditions are met.

Under the 2020 LTIP scheme 650,475 performance shares were awarded in June 2020 to Directors and Senior management (2019 LTIP scheme: 449,250).

Details of the movements for the LTIP scheme during the year were as follows:

	LTIP Number
At 1 April 2019	1,347,009
Granted	449,250
Exercised	(228,358)
Lapsed	(348,519)
At 31 March 2020	1,219,382
Granted	650,475
Exercised	(357,428)
Lapsed	(146,137)
At 31 March 2021	1,366,292

For the 2017 LTIP scheme, which vested in June 2020, the average closing share price at the date of exercise of shares exercised during the year was £5.85 (2016 LTIP scheme: £8.89).

A binomial model was used to determine the fair value of the LTIP grant for the Relative TSR element of the schemes.

Assumptions used in the model were as follows:

	2020 LTIP	2019 LTIP	2018 LTIP
Share price at grant	706p	862p	1100p
Exercise price	Nil	Nil	Nil
Average expected life (years)	3	3	3
Risk free rate	0.61%	0.52%	0.79%
Average share price volatility	35%	21%	28%
Correlation	46%	49%	48%
TSR starting factor	0.65	0.92	1.14
Fair value per option – Relative TSR element	207p	322p	695p

The Total Property Return compared to the IPD benchmark is a non-market based condition and the intrinsic value is therefore the share price at date of grant of 706p for the 2020 LTIP Scheme. At each balance sheet date, the Directors will assess the likelihood of meeting the conditions under this element of the scheme. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity. The assessment at year end for the 2020 LTIP Scheme was that up to 50% of the Total Property Return element will vest (LTIP 2019: 50%, LTIP 2018: 50%).

The expected Workspace share price volatility was determined by taking account of the daily share price movement over a three-year period. The respective FTSE 250 Real Estate share price volatility and correlations were also determined over the same period. The average expected term to exercise used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions and historical experience.

The risk free rate has been determined from market yield curves for government zero-coupon bonds with outstanding terms equal to the average expected term to exercise for each relevant grant.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. SHARE BASED PAYMENTS CONTINUED

(b) Employee share option schemes

The Group operates a Save As You Earn ('SAYE') share option scheme. Grants under the SAYE scheme are normally exercisable after three or five years' saving. In accordance with UK practice, the majority of options under the SAYE schemes are granted at a price 20% below the market price ruling at the date of grant.

Details of the movements for the SAYE schemes during the year were as follows:

	SAYE	
Options outstanding	Number	Weighted exercise price
At 1 April 2019	257,454	£6.25
Options granted	122,486	£7.02
Options exercised	(138,804)	£5.17
Options lapsed	(29,115)	£7.08
At 31 March 2020	212,021	£7.21
Options granted	339,896	£5.31
Options exercised	(8,298)	£6.96
Options lapsed	(179,770)	£6.90
At 31 March 2021	363,849	£5.60

The average closing share price at the date of exercise for the SAYE options exercised (for the three-year 2017 and the five-year 2015 schemes) during the year was £7.37 (2020: £9.26).

The fair value has been calculated using the Black-Scholes model. Inputs to the model are summarised as follows:

	2021 SAYE 3 year	2021 SAYE 5 year	2020 SAYE 3 year	2020 SAYE 5 year
Weighted average share price at grant	551p	551p	878p	878p
Exercise price	531p	531p	702p	702p
Expected volatility	34%	33%	21%	26%
Average expected life (years)	3	5	3	5
Risk free rate	0%	0%	1%	1%
Expected dividend yield	7%	7%	4%	4%
Possibility of ceasing employment before vesting	25%	25%	25%	25%

The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is based on the present value of expected future dividend payments to expiry.

Fair values per share of these options were:

	2021		2020	
	Grant date	Fair value of award	Grant date	Fair value of award
SAYE – three year	27 July 2020	78p	25 July 2019	154p
SAYE – five year	27 July 2020	75p	25 July 2019	178p

(c) Share incentive plan ('SIP')

All staff were granted £1,000 worth of shares in September 2015, £2,000 in August 2017 and £2,000 in September 2019. These shares are held in trust under an HMRC approved SIP. The shares can be exercised following three years of employment but must be held for a further two years in order to qualify for tax advantages. No shares were granted in the year (2020: 49,396). 12,113 (2020: 14,090) shares were exercised in the year and 3,951 (2020: 6,211) shares lapsed.

(d) Year end summary

At 31 March 2021 in total there were 1,814,054 (2020: 1,528,429) share awards/options exercisable on the Company's ordinary share capital. These are analysed below:

Date of grant	Exercise price	Ordinary shares Number	Vested and exercisable	Exercisable between	
LTIP					
22 June 2018	–	332,154	–	22.06.2021	–
18 June 2019	–	388,591	–	18.06.2022	–
18 June 2020	–	645,547	–	18.06.2023	–
SAYE					
20 July 2016 – five year	£5.18	347	–	01.09.2021	01.03.2022
26 July 2017 – five year	£7.08	–	–	01.09.2022	01.03.2023
26 July 2018 – three year	£8.60	11,246	–	01.09.2021	01.03.2022
26 July 2018 – five year	£8.60	174	–	01.09.2023	01.03.2024
25 July 2019 – three year	£7.02	38,822	–	01.09.2022	01.03.2023
25 July 2019 – five year	£7.02	256	–	01.09.2024	01.03.2025
27 July 2020 – three year	£5.31	254,483	–	01.09.2023	01.03.2024
27 July 2020 – five year	£5.31	58,521	–	01.09.2025	01.03.2026
SIP					
18 September 2015	–	8,620	8,620	18.09.2018	–
10 August 2017	–	30,324	30,324	10.08.2020	–
5 September 2019	–	44,969	–	05.09.2022	–
Total		1,814,054	38,944		

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. SHARE BASED PAYMENTS CONTINUED

(d) Year end summary continued

The share awards/options outstanding at 31 March 2021 had a weighted average remaining contractual life of: LTIP – 1.5 years (2020: 1.3 years), SAYE – 2.6 years (2020: 1.7 years), SIP – 0.8 years (2020: 1.4 years).

(e) Cash-settled share based payments

National Insurance payments due on the exercise of non-approved ESOS options and shares from the LTIP are considered cash-settled share based payments.

The estimated fair value of the National Insurance cash-settled share based payments have been calculated using the share price at the balance sheet date. At each balance sheet date the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement.

(f) Share based payment charges

The Group recognised a total charge in relation to share based payments as follows:

	2021 £m	2020 £m
Equity settled share based payments	2.3	2.6
Cash-settled share based payments	0.2	–
	2.5	2.6

The total liability at the end of the year in respect of cash-settled share based schemes was £0.4m (2020: £0.5m).

24. RELATED PARTY TRANSACTIONS

Key management for the purposes of related party disclosure under IAS 24 are taken to be the Executive Board Directors, the Non-Board Executive Directors and the Non-Executive Directors. Key management compensation is set out below:

Key management compensation:	2021 £m	2020 £m
Short term employee benefits	2.9	3.2
Share based payments	–	1.4
Total	2.9	4.6

25. CAPITAL COMMITMENTS

At the year end the estimated amounts of contractual commitments for future capital expenditure not provided for were:

	2021 £m	2020 £m
Investment property construction	4.2	4.3

26. SUBSIDIARY AND OTHER RELATED UNDERTAKINGS

The Company's subsidiary and other related undertakings at 31 March 2021, and up to the date of signing the financial statements, are listed below.

Except where indicated otherwise, the Company owns 100% of the ordinary share capital of the following subsidiary undertakings incorporated and operating in the UK, all of which are consolidated in the Group's financial statements.

UK subsidiaries

The registered address of all UK subsidiaries is Canterbury Court, Kennington Park, 1-3 Brixton Road, London SW9 6DE.

Name	Nature of business
Workspace 12 Limited	Property Investment
Workspace 13 Limited	Property Investment
Workspace 14 Limited	Property Investment
Workspace Glebe Limited	Non-trading
Glebe Three Limited	Non-trading
LI Property Services Limited	Insurance Agents
Workspace Management Limited	Property Management
Workspace 1 Limited[1]	Dormant
Workspace 10 Limited	Dormant
Workspace 11 Limited	Dormant
Workspace 15 Limited	Dormant
Workspace Holdings Limited	Non-trading
Anyspacedirect.co.uk Limited	Non-trading
Workspace Newco 1 Limited	Dormant
Workspace Newco 2 Limited	Dormant

1 100% of the ordinary share capital of these subsidiaries is held by other Group companies.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. SUBSIDIARY AND OTHER RELATED UNDERTAKINGS CONTINUED

Non-UK subsidiaries

Name	Country of incorporation	Registered address	Nature of business
Workspace 16 (Jersey) Limited	Jersey	Gaspé House, 66-72 The Esplanade, St Helier, Jersey JE2 3QT	Non-trading
Workspace 17 (Jersey) Limited	Jersey	44 Esplanade, St Helier, Jersey JE4 9WQ	Holding Company
Workspace Salisbury Limited[1]	Jersey	44 Esplanade, St Helier, Jersey JE4 9WQ	Property Investment
Centro Property Limited[1]	Guernsey	Martello Court, Admiral Park, St Peter Port, Guernsey GY1 3HB	Non-trading

1 100% of the ordinary share capital of these subsidiaries is held by other Group companies.

27. PENSION COMMITMENTS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for this scheme in the year was £0.8m (2020: £0.7m) representing contributions payable by the Group to the fund and is charged through operating profit.

The Group's commitment with regard to pension contributions, consistent with the prior year, ranges from 6% to 16.5% of an employee's salary. The pension scheme is open to every employee in accordance with the Government auto-enrolment rules. The number of employees, including Directors, in the scheme at the year end was 210 (2020: 202).

28. LEASES

The majority of the Group's tenant leases are granted with a rolling three to six-month tenant break clause, although prior year property acquisitions have included customer leases which are much longer, with fewer break clauses. The future minimum non-cancellable rental receipts under leases granted to tenants are shown below.

Land and buildings:	2021 £m	2020 £m
Within one year	56.3	72.7
Between two and five years	45.4	65.3
Beyond five years	24.3	23.6
	126.0	161.6

29. POST BALANCE SHEET EVENTS

On the 31 March 2021 the Group gave notice to make an early repayment of the $100m & £84m private placement notes due June 2023, which were repaid in April 2021. The costs in relation to the termination are reflected in exceptional finance costs as shown in note 4.

PARENT COMPANY BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021 £m	2020 £m
Fixed assets			
Investments	C	928.5	801.0
Derivative financial instruments	F	8.7	18.5
		937.2	819.5
Current assets			
Debtors: amounts falling due within one year	D	542.2	715.3
Cash and cash equivalents		74.0	0.2
		616.2	715.5
Total assets		1,553.4	1,535.0
Current liabilities			
Creditors: amounts falling due within one year	E	(110.8)	(154.4)
Borrowings	F	(156.6)	(9.0)
Creditors: amounts falling due after more than one year		(267.4)	(163.4)
Borrowings	F	(596.2)	(617.3)
Total liabilities		(863.6)	(780.7)
Net assets		689.8	754.3
Capital and reserves			
Share capital		181.1	180.7
Share premium		295.6	295.6
Investment in own shares		(9.6)	(9.6)
Other reserves	G	31.0	29.5
Retained earnings		191.7	258.1
Total shareholders' equity		689.8	754.3

The notes on pages 236 to 238 form part of these financial statements.

The financial statements on pages 235 to 238 were approved by the Board of Directors on 2 June 2021 and signed on its behalf by:

Graham Clemett
Director
Workspace Group PLC
Registered number 2041612

Dave Benson
Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 31 March 2019	180.4	295.1	(9.3)	23.4	321.1	810.7
(Loss)/ profit for the year	–	–	–	–	(1.8)	(1.8)
Other comprehensive income for the year	–	–	–	3.5	–	3.5
Total comprehensive income	–	–	–	3.5	(1.8)	1.7
Transactions with owners:						
Share issues	0.3	0.5	–	–	–	0.8
Dividends paid	–	–	–	–	(61.2)	(61.2)
Own shares	–	–	(0.3)	–	–	(0.3)
Share based payments	–	–	–	2.6	–	2.6
Balance at 31 March 2020	180.7	295.6	(9.6)	29.5	258.1	754.3
(Loss)/ profit for the year	–	–	–	–	(22.2)	(22.2)
Other comprehensive income for the year	–	–	–	(0.6)	–	(0.6)
Total comprehensive income	–	–	–	(0.6)	(22.2)	(22.8)
Transactions with owners:						
Share issues	0.4	–	–	(0.4)	–	–
Dividends paid	–	–	–	–	(44.2)	(44.2)
Own shares	–	–	–	–	–	–
Share based payments	–	–	–	2.5	–	2.5
Balance at 31 March 2021	181.1	295.6	(9.6)	31.0	191.7	689.8

The notes on pages 236 to 238 form part of these financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

A. ACCOUNTING POLICIES

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Basis of accounting

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the UK. The financial statements are presented in Sterling.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

a) The requirements of IAS 7 to provide a statement of cash flows and related notes for the year.

b) The requirements of IAS 1 to provide a statement of compliance with IFRS.

c) The requirements of IAS 1 to disclose information on the management of capital.

d) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRSs that have been issued but are not yet effective.

e) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

f) The requirements of IFRS 7 on financial instruments disclosures.

g) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.

The above disclosure exemptions are allowed because equivalent disclosures are included in the Group consolidated financial statements.

Significant accounting policies

i. Investments

Investments are carried in the Company's balance sheet at cost less impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Impairment and reversal of impairment is taken to the profit and loss account.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
CONTINUED

A. ACCOUNTING POLICIES CONTINUED

Significant accounting policies continued

ii. Share based payment and investment in own shares
Incentives are provided to employees under share option schemes. The Company has established an Employee Share Ownership Trust ('ESOT') to satisfy part of its obligation to provide shares when Group employees exercise their options. The Company provides funding to the ESOT to purchase these shares.

The Company has also established an employee Share Incentive Plan ('SIP') which is governed by HMRC rules.

The Company itself has no employees. When the Company grants share options to Group employees as part of their remuneration, the expense of the share options is reflected in a subsidiary undertaking, Workspace Management Limited. The Company recognises this as an investment in subsidiary undertakings with a corresponding increase to equity.

The disclosure requirements for share based payments are met in note 23 of the Group consolidated financial statements.

iii. Borrowings
Details of borrowings are described in note F to the Parent Company financial statements. Costs associated with the raising of finance are capitalised, amortised over the life of the instrument and charged as part of interest costs.

iv. Derivative financial instruments and hedge accounting
The accounting policy for derivative financial instruments and hedge accounting are the same as those for the Group and are set out on page 216. Disclosure requirements are provided in note 16 to the Consolidated financial statements.

v. Foreign currency translation
The accounting policy for foreign currency translation is the same as that for the Group and is set out on page 216.

Taxation
Current income tax is tax payable on the taxable income for the year and any prior year adjustment, and is calculated using tax rates that are relevant to the financial year.

Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Dividend distributions
Final dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved, while interim dividends are recognised when paid.

B. PROFIT FOR THE YEAR
As permitted by the exemption in Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The loss attributable to shareholders, before dividend payments, dealt with in the financial statements of the Company was £22.2m (2020: £1.8m). No dividends were received in the year from subsidiary undertakings (2020: nil).

Dividend payments are disclosed in note 7 to the consolidated financial statements.

C. INVESTMENTS

	Investment in subsidiary undertakings £m
Cost	
Balance at 31 March 2020	935.3
Additions in the year	127.5
Balance at 31 March 2021	1,062.8
Impairment	–
Balance at 31 March 2020 and 31 March 2021	134.3
Net book value at 31 March 2021	928.5
Net book value at 31 March 2020	801.0

Workspace 14 Limited issued £125m preference shares in the year to Workspace group PLC.

D. DEBTORS

Amounts falling due within one year	2021 £m	2020 £m
Amounts owed by Group undertakings	542.1	715.0
Corporation tax asset	0.1	0.3
	542.2	715.3

Amounts owed by Group undertakings are unsecured and repayable on demand. Interest is charged to Group undertakings.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
CONTINUED

E. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £m	2020 £m
Amounts owed to Group undertakings	90.0	148.4
Taxation and social security	–	2.1
Accruals and deferred income	20.8	3.9
	110.8	154.4

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest is paid to Group undertakings.

F. BORROWINGS

Borrowings and financial instruments	Interest rate	Repayable	2021 £m	2020 £m
Creditors: amounts falling due within one year				
Senior Floating Rate Notes 2020	LIBOR+3.5%	June 2020	–	9.0
5.6% Senior US Dollar Notes 2023	5.6%	April 2021	64.5	64.5
5.53% Senior Notes 2023	5.53%	April 2021	84.0	84.0
Creditors: amounts falling due after more than one year				
Bank loan	LIBOR+1.65%	June 2022 & June 2023	–	154.0
3.07% Senior Notes	3.07%	August 2025	80.0	80.0
3.19% Senior Notes	3.19%	August 2027	120.0	120.0
3.6% Senior Notes	3.6%	January 2029	100.0	100.0
Green Bond	2.25%	March 2028	300.0	–
Total borrowings			748.5	611.5
Less cost of raising finance			(3.8)	(1.9)
Foreign exchange differences			8.1	16.7
Net borrowings			752.8	626.3

All the above borrowings are unsecured.

Maturity analysis of borrowings:	2021 £m	2020 £m
Repayable within one year	148.5	9.0
Repayable between one and two years	–	–
Repayable between two and three years	–	154.0
Repayable between three and four years	–	148.5
Repayable between four and five years	80.0	–
Repayable in five years or more	520.0	300.0
	748.5	611.5

The following derivative financial instruments are held:

	Amount	Rate payable (%)	Term/expiry	2021 £m	2020 £m
Cash flow hedge – cross currency swap	$100m/£64.5m	5.66%	June 2023	8.7	18.5

The cash flow hedge was terminated in line with the repayment of the US Dollar Notes.

G. CAPITAL AND RESERVES

Movements and notes applicable to share capital, share premium account, investment in own shares, other reserves and share based payment reserve are shown in notes 20 to 23 on pages 231 to 234 and in the statement of changes in equity.

Other reserves:	Equity settled share based payments £m	Merger Reserve £m	Hedging Reserve £m	Total £m
Balance at 31 March 2019	17.6	8.7	(2.9)	23.4
Share based payments	2.6	–	–	2.6
Change in fair value of derivative financial instruments	–	–	3.5	3.5
Balance at 31 March 2020	20.2	8.7	0.6	29.5
Share based payments	2.5	–	–	2.5
Issue of shares	(0.4)	–	–	(0.4)
Change in fair value of derivative financial instruments	–	–	(0.6)	(0.6)
Balance at 31 March 2021	22.3	8.7	–	31.0

FIVE-YEAR PERFORMANCE (UNAUDITED)

2017–2021

	31 March 2021 £m	31 March 2020 £m	31 March 2019 £m	31 March 2018 £m	31 March 2017 £m
Rents receivable	118.0	132.7	123.7	106.1	86.8
Service charges and other income	24.3	28.7	25.7	22.8	22.0
Revenue	142.3	161.4	149.4	128.9	108.8
Trading profit before interest	62.5	104.3	93.9	79.5	64.3
Net interest payable[1]	(23.8)	(23.3)	(21.5)	(18.8)	(13.6)
Trading profit after interest	38.7	81.0	72.4	60.7	50.7
(Loss)/profit before taxation	(235.7)	72.5	137.3	170.4	88.8
(Loss)/profit after taxation	(235.7)	72.1	137.3	171.4	88.7
Basic (loss)/earnings per share	(130.3)p	40.0p	78.9p	104.8p	54.5p
Dividends per share	17.75p	36.16p	32.87p	27.39p	21.07p
Dividends (total)	32.1	65.4	59.3	44.9	34.4
Investment properties	2,349.9	2,586.3	2,591.4	2,288.7	1,839.0
Other assets less liabilities	(65.5)	(47.1)	(29.2)	(58.9)	(18.2)
Net debt	(564.9)	(541.2)	(580.2)	(517.1)	(242.3)
Net assets	1,719.5	1,998.0	1,982.0	1,712.9	1,578.5
Gearing	33%	27%	29%	30%	15%
Loan to value	24%	21%	22%	23%	13%
EPRA Net Tangible Assets (NTA)	£9.38	£10.88	£10.85	£10.36	£9.53

1 Excludes exceptional items.

PERFORMANCE METRICS (UNAUDITED)

	31 March 2021 £m	31 March 2020 £m	31 March 2019 £m	31 March 2018 £m	31 March 2017 £m
Workspace Group:					
Number of estates	58	59	64	66	68
Lettable floorspace (million sq. ft.)	3.9	3.9	3.9	3.7	3.6
Number of lettable units	4,196	4,009	4,796	4,539	4,306
Average unit size (sq. ft.)	942	922	975	979	827
Rent roll of occupied units	£103.9m	£132.8m	£127.5m	£112.9m	£89.5m
Overall rent per sq. ft.	£33.90	£39.18	£38.45	£36.05	£28.41
Overall occupancy	77.8%	87.0%	84.8%	85.5%	87.0%
Enquiries (number)	8,870	13,041	12,575	12,189	12,724
Lettings (number)	1,146	1,454	1,238	1,111	1,182
EPRA Measures					
EPRA Earnings per share	21.3p	44.5p	40.3p	37.8p	30.2p
EPRA Net Tangible Asset per share	£9.38	£10.88	£10.85	£10.36	£9.53

PROPERTY PORTFOLIO 2021 (UNAUDITED)

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £000
Archer Street Studios	W1D 7AZ	Like-for-like	14,984	513,355
Barley Mow Centre	W4 4PH	Refurbishment	75,880	1,147,562
Brickfields	E2 8HD	Completed	56,755	1,653,409
Canalot Studios	W10 5BN	Like-for-like	49,513	997,312
Cannon Wharf	SE8 5EN	Like-for-like	32,619	523,864
Cargo Works	SE1 9PG	Like-for-like	71,212	2,710,131
Centro Buildings	NW1 0DU	Like-for-like	213,050	9,291,188
China Works	SE1 7SJ	Like-for-like	68,808	1,767,495
Chiswick Studios	W4 5PY	Like-for-like	14,254	496,844
Chocolate Factory (part)	N22 6XJ	Redevelopment	51,026	250,733
Chocolate Factory (part)	N22 6XJ	Refurbishment	61,778	678,240
Clerkenwell Workshops	EC1R 0AT	Like-for-like	52,613	1,723,587
E1 Studios	E1 1DU	Like-for-like	40,797	891,208
East London Works	E1 1DU	Like-for-like	38,331	1,164,067
Edinburgh House	SE11 5DP	Like-for-like	65,186	1,961,570
Exmouth House	EC1R 0JH	Like-for-like	57,560	3,223,159
Fitzroy Street	W1T 4BQ	Refurbishment	92,669	6,011,460
160 Fleet Street	EC4A 2DQ	Completed	42,103	858,826
Fuel Tank	SE8 3DX	Like-for-like	35,189	533,891
Garratt Lane	SW18 4LZ	Redevelopment	43,000	300,000
338 Goswell Road	EC1V 7LQ	Like-for-like	41,490	1,662,048
Grand Union Studios	W10 5AD	Like-for-like	63,640	1,831,772
60 Gray's Inn Road	WC1X 8AQ	Like-for-like	36,138	1,484,580
Havelock Terrace	SW8 4AS	Refurbishment	58,164	1,017,721
Highway Business Park	E1 9HR	Redevelopment	19,860	247,435
Ink Rooms	WC1X 0DS	Like-for-like	22,235	960,644
Kennington Park	SW9 6DE	Like-for-like	366,369	8,891,554
Leroy House	N1 3QP	Like-for-like	46,802	890,340
Lock Studios	E3 3YD	Completed	54,477	562,587
Mallard Place	N22 6TS	Redevelopment	10,150	130,000
Mare Street Studios	E8 3QE	Completed	54,887	48,598
Metal Box Factory	SE1 0HS	Like-for-like	106,316	3,480,885
Mirror Works (formerly Marshgate)	E15 2NH	Redevelopment	0	0
Morie Street	SW18 1SL	Like-for-like	21,711	413,718
Pall Mall Deposit	W10 6BL	Refurbishment	58,777	476,829

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £000
Parkhall Business Centre	SE21 8EN	Completed	124,739	1,714,806
Parma House	N22 6XF	Redevelopment	34,983	203,976
Peer House	WC1X 8LZ	Like-for-like	10,222	337,888
Pill Box	E2 6GG	Like-for-like	50,409	916,131
Poplar Business Park	E14 9RL	Like-for-like	65,178	953,734
Q West	TW8 0GP	Redevelopment	54,960	462,258
Rainbow Industrial Park (Part)	SW20 0JK	Completed	21,180	268,156
Rainbow Industrial Park (Part)	SW20 0JK	Redevelopment	89,934	237,318
Riverside	SW18 4UQ	Like-for-like	101,786	1,741,716
Salisbury House	EC2M 5QQ	Like-for-like	232,272	10,347,859
ScreenWorks	N5 2EF	Like-for-like	63,974	1,573,614
The Biscuit Factory (Cocoa Studios)	SE16 4DG	Like-for-like	39,298	827,296
The Biscuit Factory (Part)	SE16 4DG	Like-for-like	126,245	2,291,525
The Biscuit Factory (Part)	SE16 4DG	Refurbishment	88,080	1,199,434
The Frames	EC2A 4PS	Like-for-like	51,974	1,900,232
The Leather Market	SE1 3ER	Like-for-like	147,006	3,651,706
The Light Box	W4 5PY	Like-for-like	78,489	1,483,413
The Light Bulb (part)	SW18 4GQ	Like-for-like	52,644	1,123,055
The Light Bulb (part)	SW18 4WW	Redevelopment	0	0
The Print Rooms	SE1 0LH	Like-for-like	46,064	1,216,912
The Record Hall	EC1N 7RJ	Like-for-like	56,730	1,485,889
The Shaftesbury Centre	W10 6BN	Like-for-like	12,627	243,427
The Shepherds Building	W14 0DA	Like-for-like	148,617	6,507,208
Thurston Road	SE13 7SH	Redevelopment	0	0
Vox Studios	SE11 5JH	Like-for-like	107,103	3,050,879
Wenlock Studios	N1 7EU	Completed	30,938	473,907
Westbourne Studios	W10 5JJ	Refurbishment	57,745	937,730

GLOSSARY OF TERMS

Earnings per share ('EPS') is the profit after taxation divided by the weighted average number of shares in issue during the period.

Employee Share Ownership Trust ('ESOT') is the trust created by the Group to hold shares pending exercise of employee share options.

EPRA EPS is a definition of earnings per share as set out by the European Public Real Estate Association ('EPRA'). It is based on operating earnings where profit before tax is adjusted to exclude the impact of any changes in property valuation, gains or losses on property disposals and fair value movements.

EPRA net asset value ('EPRA NAV') is a definition of net asset value as set out by EPRA. It is adjusted to include investment properties at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.

EPRA net reinstatement value ('EPRA NRV') represents the value required to rebuild an entity, assuming that no asset sales takes place. Assets and liabilities that are not expected to crystallise in normal circumstances, such as fair value movements on derivatives and deferred tax on property valuation movements, are excluded.

EPRA net tangible assets ('EPRA NTA') focuses on a company's tangible assets and assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

EPRA net disposal value ('EPRA NDV') represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

Equivalent yield is a weighted average of the initial yield and reversionary yield and represents the return a property will produce based upon the timing of the occupancy of the property and timing of the income receivable. This is approximated by the reversionary yield multiplied by the Group trend occupancy of 90%.

Estimated Rental Value ('ERV') or market rental value is the Group's external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review.

Exceptional items are significant items of income or expense that by virtue of their size, incidence or nature are shown separately on the consolidated income statement to enable a full understanding of the Group's financial performance.

Gearing is the Group's net debt as a percentage of net assets.

GDIs are green debt instruments as referred to in the Green Finance Framework.

Green Finance Framework is aligned with ICMA's Green Bond Principles (2018 edition) and LMA's Green Loan Principles (2021 edition) and addresses UN SDGs 7, 11, 12 and 13. The framework allows Workspace to issue a variety of GDIs and sets out the principles for the use and management of proceeds from GDIs.

ICMA is the International Capital Market Association.

Initial yield is the net rents generated by a property or by the portfolio as a whole expressed as a percentage of its valuation.

Interest cover is the number of times net interest payable is covered by net rental income.

LIBOR is the British Bankers' Association London Interbank Offer Rate.

Like-for-like are those properties with stabilised occupancy, excluding recent acquisitions and buildings impacted by significant refurbishment or redevelopment activity.

Loan to value ('LTV') is net debt divided by the current value of properties owned by the Group as valued by CBRE.

LMA is the Loan Market Association.

MSCI IPD MSC Inc is a company that produces independent benchmarks of property returns under the brand IPD.

Net asset value per share ('NAV') is net assets divided by the number of shares at the period end.

Net debt is the amount drawn on bank and other loan facilities, including overdrafts, less cash deposits. This excludes any foreign exchange movements.

Net rents are rents excluding any contracted increases and after deduction of inclusive service charge revenue.

Occupancy is the area of space let divided by the total net lettable area (excluding land used for open storage) expressed as a percentage.

Profit/(loss) before tax ('PBT') is income less all expenditure other than taxation.

Property Income Distribution ('PID') a dividend generally subject to withholding tax that a UK REIT is required to pay from its tax-exempted property rental business and which is taxable for UK resident shareholders at their marginal tax rate

REIT is a Real Estate Investment Trust as set out in the UK Finance Act 2006 Sections 106 and 107. REITs pay no corporation tax on profits derived from their property rental business.

Rent roll is the annualised net rent of occupied units for a property or portfolio of properties at a reporting date.

Reversion/reversionary income is the increase in rent estimated by the Group's external valuers, where the net rent is below the current estimated rental value. The increases to rent arise on rent reviews, letting of vacant space, expiry of rent free periods or rental increase steps.

Reversionary yield is the anticipated yield, which the initial yield will rise to once the rent reaches the estimated rental value. It is calculated by dividing the ERV by the valuation.

Total Accounting Return is the growth in absolute EPRA net asset per share plus dividends paid in the year as a percentage of the opening EPRA net asset value per share.

Total Property Return is a percentage measure calculated by MSCI IPD and defined in the MSCI Global Methodology for Real Estate Investment as the percentage of value change plus net income accrued relative to the capital employed.

GLOSSARY OF TERMS CONTINUED

Total Shareholder Return ('TSR') is the growth in ordinary share price as quoted on the London Stock Exchange plus dividends per share received for the year, expressed as a percentage of the share price at the beginning of the year.

Trading profit after interest is net rental income, less administrative expenses and finance costs (excluding exceptional finance costs).

UN SDGs is UN Sustainable Development Goals which are addressed in the Green Finance Framework.

INVESTOR INFORMATION

Registrar
All general enquiries concerning ordinary shares in Workspace Group PLC should be addressed to:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS13 8AE
Telephone: +44 (0)370 707 1413

Alternatively, shareholders can contact Computershare online via their free Investor Centre facility. Shareholders have the ability to set up or amend bank details for direct credit of dividend payments, amend address details, view payment history and access information on the Company's share price. For more information or to register, please visit www.investorcentre.co.uk

Website
The Company has an investor website which holds, amongst other information, a copy of the latest Annual Report and Accounts, a list of properties held by the Group and copies of all press announcements. The site can be found at www.workspace.co.uk/investors

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