

## ESG COMMITTEE REPORT

The ESG Committee's role is to promote long-term sustainable success of the Company by ensuring environmental and social factors are fully integrated in business strategy and decision making.

### Duncan Owen

Chair of the ESG Committee

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## ESG COMMITTEE REPORT CONTINUED

## MEMBERSHIP AND ATTENDANCE AT ESG COMMITTEE MEETINGS

The Committee consists of six independent Non-Executive Directors, the Chief Executive Officer and the Chief Financial Officer (biographies are available on pages 115 to 116). At the request of the Committee, members of the Executive Committee, the senior management team and/or external advisers may be invited to attend all or part of any meeting, as and when appropriate.

**Meetings of the ESG Committee**

During the year under review, the Committee held two meetings (in September 2022 and in January 2023). The September meeting established the Committee and approved its terms of reference. Moving forwards, the Committee has agreed to hold three meetings a year. These meetings are expected to be held in January, April and September.

	Member since	Meetings attended
Duncan Owen (Chair)	2022	2/2 <sup>1</sup>
Rosie Shapland	2022	2/2 <sup>1</sup>
Lesley-Ann Nash	2022	2/2 <sup>1</sup>
Manju Malhotra	2022	2/2 <sup>1</sup>
Nick Mackenzie	2022	2/2 <sup>1</sup>
Stephen Hubbard	2022	2/2 <sup>1</sup>
Graham Clemett	2022	2/2 <sup>1</sup>
Dave Benson	2022	2/2 <sup>1</sup>

1. The ESG Committee meeting in January 2023 was a joint meeting with the Audit Committee.

## KEY TOPICS CONSIDERED BY THE COMMITTEE DURING THE YEAR

**Progress on net zero carbon**

- Reviewed net zero carbon pathway and progress made across all scopes of carbon
- Discussed appropriateness of interim milestones and key metrics that should be prioritised
- Reviewed the overall investment plan to 2030
- Considered key dependencies for successful delivery of net zero carbon commitment

**Evidence of social impact**

- Reviewed the approach to social impact, key focus areas and progress made to date
- Agreed key social programmes, as a key focus for the year along with performance indicators to measure progress
- Reviewed industry best practice on social impact and identified improvement opportunities
- Discussed the ambition to have a long-term flagship social impact target

**ESG risk mitigation**

- Reviewed climate risk exposure of the business against a number of warming scenarios
- Assessed the level of residual risk and mitigation strategy
- Considered elevating climate risk as a principal risk for business

**Governance and reporting**

- Established the ESG Committee and agreed the terms of reference
- Agreed how sustainability will be governed at all levels of business, and set five ESG targets at Board level which are linked to remuneration
- Reviewed and approved information reported on sustainability
- Reviewed all ESG policies and effectiveness of programmes and audit procedures

## ESG COMMITTEE REPORT CONTINUED

ESG Committee  
Chair's letter

**Duncan Owen**  
Chair of the ESG Committee



I am proud to chair the ESG Committee at Workspace, a business where sustainability, social impact and strong governance is at the heart of everything. There is a real potential within the business to be a market leader on sustainability and making a positive impact for our customers. I am committed to supporting the long-term sustainable success of the Company

**Dear shareholder,**

I am pleased to present to you the first report of the ESG Committee for the year ended 31 March 2023.

The Committee was established in April 2022 to strengthen the Board's oversight of environmental and social issues. The Board, recognising the increasing stakeholder focus on ESG matters, considered it prudent to have a dedicated forum in which to discuss ESG-related matters. The proposal for establishing a Board-level ESG Committee was put forward in March 2022 when the Board was exploring the characteristics that would make it a high performing Board. The ESG Committee was established the following month.

From the beginning, the Committee agreed that there would be four key themes for it to focus on:

- (i) having a clear and a credible path to net zero;
- (ii) evidencing long-term commitment to social welfare;
- (iii) active management of ESG risks and opportunities; and
- (iv) maintaining high standards of corporate governance and reporting.

Undeniably, the business has an inherent sustainable business model, and as a Committee our role is to ensure Workspace continues to stay at the forefront of sustainability performance.

In its first-year establishment, the Committee has effectively delivered on several tasks we had set out, including establishing a robust governance structure with clear terms of reference, deeper dive into the Company's net zero pathway and climate risk profile, prioritising social impact alongside

environmental commitment and conducting a critical review of ESG policies and procedures. The Committee also received technical briefings from subject matter experts on a number of topics, including evolving sustainability reporting requirements. I detail on page 173 an overview of the activities which we have carried out.

**Net zero carbon transition**

In 2019, Workspace made a commitment to becoming a net zero carbon business by 2030. Workspace has signed up to the Better Buildings Partnership ('BBP') Climate Commitment to deliver net zero carbon real estate portfolios by 2030. Following a detailed analysis of the emissions across the business and the value chain, Workspace have also developed a set of science-based targets which are aligned to the goals of the Paris Agreement and the IPCC's 1.5°C report. These targets have been approved by the Science Based Targets initiative (SBTi) and cover both our operational emissions and our embodied carbon emissions.

**Embedding ESG into the workings of other Committees**

To ensure the ESG agenda is not siloed, we also identified ways in which ESG considerations are embedded within the workings of other Committees. This year we held a joint meeting with the Audit Committee to review the ESG policies and effectiveness of the audit programme in place. ESG input is also informing discussions at the Nominations Committee regarding requisite expertise at Board level and with the Remuneration Committee regarding aligning compensation with ESG targets.



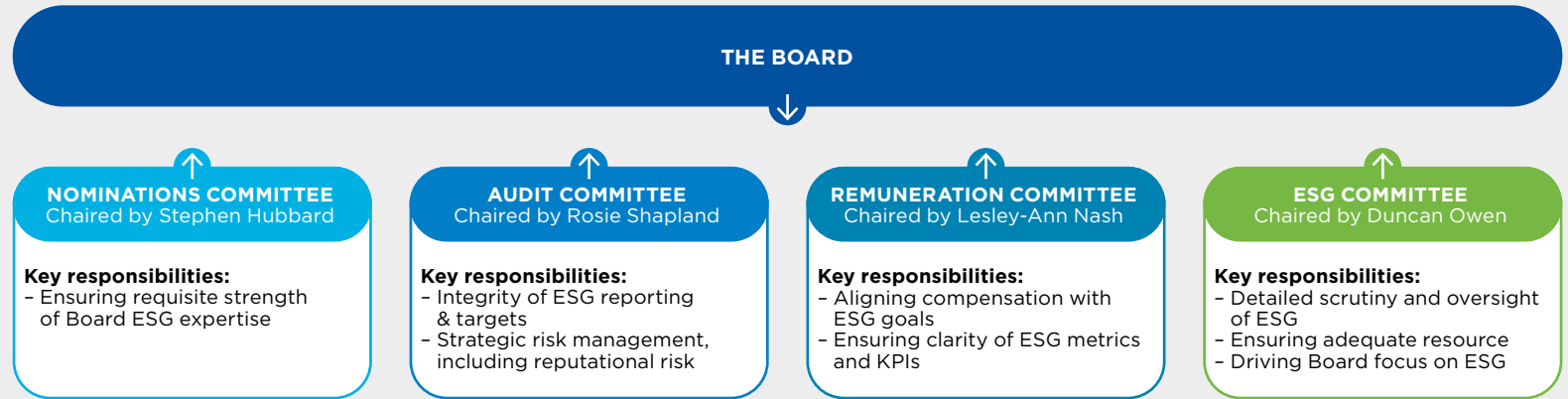
**ESG COMMITTEE REPORT** CONTINUED  
**ESG COMMITTEE CHAIR'S LETTER** CONTINUED

**Looking forward**

Given the fast-evolving pace of the ESG agenda, the Committee recognises that it needs to be future-focused and evolve its priorities to maintain oversight of both existing flagship initiatives and capturing new opportunities. As such, we will be revisiting the materiality assessment for the business each year to identify new frontiers to focus on. Undeniably, the urgency will remain on driving net zero carbon transition at pace and the Committee will continue to closely monitor the Company's progress on its net zero pathway. However, our responsibility towards our people, our customers and our communities take equal priority. We believe there is both a moral and a commercial imperative to maximise broader stakeholder value, ensuring the business is leading the way on responsible and inclusive practices for its employees, customers, suppliers, and local communities. To this end, the Committee will focus on setting a framework for social impact alongside long-term ambitious goals.

**Duncan Owen**  
Chair of the ESG Committee  
6 June 2023

**GOVERNANCE OF ESG MATTERS AT WORKSPACE**



**The role of the Board**

The Chief Executive Officer along with the Workspace Board have the highest level of responsibility on all ESG matters. The role of the Board is to maintain close oversight of the ESG programme, ensuring long-term sustainable success of the business.

An ESG Committee comprising of six independent Non-Executive Directors, the Chief Executive Officer and the Chief Financial Officer is set up to assist the Board in incorporating ESG considerations in business strategy and decision making.

The ESG Committee receives a detailed update on our sustainability and climate-related goals three times a year, from members of the Executive Committee and the Head of Sustainability. The update from the Committee and any associated recommendations are then put forward to the Board for consideration.

The ESG Committee also informs the working of other Board Committees with ESG considerations as it pertains to remuneration, nominations and audit functions.

**Management responsibility**

The Executive Committee at Workspace are responsible for creating the ESG strategy for the business and individual Executive Committee members are responsible for leading on the delivery of environmental and social programmes. The Executive Committee receives monthly updates on ESG matters, including progress against the annual ESG targets.

At operational level, the day-to-day management of ESG initiatives is managed by the members of the Environmental and Social Sustainability Committee, a cross function group comprising of heads of departments who are responsible for individual workstreams. Both these Committees include several Executive Committee members, which ensures senior level ownership and oversight

of implementation plans and streamlines communication to the wider Executive Committee and the Board.

**Ownership and accountability**

ESG considerations are embedded across the business, ensuring there is clear oversight and accountability at each level – at Board level, at Executive level and at operational delivery level. Further, the core ESG targets for the business have been translated into performance objectives for all employees and are linked to their remuneration.

**Terms of reference**

The Committee's role and responsibilities are set out in the terms of reference, which were last updated in September 2022 and which are available on the Company's website at [workspace.co.uk/investors/about-us/governance/board-committees](https://workspace.co.uk/investors/about-us/governance/board-committees).



## ESG COMMITTEE REPORT CONTINUED ESG COMMITTEE CHAIR'S LETTER CONTINUED

### SPOTLIGHT ON NET ZERO PATHWAY

During the year, the Committee conducted a deeper dive of the net zero pathway for the business to ensure it is on track to achieving full decarbonisation by 2030.

Whilst this will not be an easy undertaking, I am pleased with the progress the business has already made by reducing its like-for-like scope 1 and 2 emissions by 11% compared to last year, particularly the significant reduction achieved in fossil fuel use and achieving market-leading performance on embodied carbon associated with its development and construction activity.

I am pleased with the progress made on the net zero pathway, particularly the significant reduction in embodied carbon associated with development activities

**Duncan Owen**  
Chair of the ESG Committee

Leroy House,  
Islington

### TRACKING PROGRESS ON NET ZERO CARBON PATHWAY

Despite owning several historic buildings, Workspace has successfully refurbished a significant proportion of the portfolio to all electric, highly sustainable buildings, resulting in a significant 27% reduction of scope 1 emissions this year. It is also very encouraging to see the level of knowledge within various teams on the topic and a real dedication towards driving positive impact. It is important that Workspace continues to maintain a lead on its decarbonisation journey and hence the Committee made a decision to govern progress on net zero pathway, as described below.

1

#### REVIEW OF EXISTING NET ZERO PATHWAY

The Committee reviewed the scope of Workspace's net zero commitment and the proposed net zero pathway. Four key workstreams were identified as key levers for achieving net zero carbon by 2030. Within each workstream, annual milestones were set and progress against these tracked at each Committee meeting



2

#### ESTABLISHING TARGETS AT BOARD LEVEL

Given the strategic importance of net zero carbon to the business, the Remuneration Committee decided to link energy and carbon reduction targets to Director's remuneration



3

#### NET ZERO DUE DILIGENCE

It was agreed to implement detailed climate risk and net zero due diligence to inform all new acquisitions and establish alignment with the existing net zero pathway. The existing pathway was subsequently updated to reflect the acquisition of the McKay portfolio



4

#### INVESTMENT DECISIONS

The Board considered attainment of high energy and carbon performance as a key factor when evaluating and approving all capex decisions





## ESG COMMITTEE REPORT CONTINUED

## ESG policies, procedures and related assurance

Once a year, Workspace holds a joint Audit Committee and ESG Committee meeting. The objective of this meeting is to review and to approve a programme of assurance aimed at assessing the effectiveness of policies and processes relating to ESG matters. The detailed review conducted by the Committee gave confidence that Workspace has a robust assurance programme, supported by internal and external checks to ensure compliance with policies. This year the Company also launched its Supplier Code of Conduct which ensures all the suppliers are aligned with Workspace's expectations and ambitions, especially when it comes to issues such as living wage, modern slavery, anti-bribery, health and safety, equal opportunities, and sustainability.

The table to the right shows the list of policies and procedures that support the implementation of our ESG strategy:

<b>Environmental</b>	Climate change policy	Ensures that Workspace conduct their business in a climate responsible way
	Environmental policy	Ensures that Workspace conduct their business in an environmentally responsible way
	Sustainable development brief	Sets minimum requirements for our development and refurbishment projects on energy, carbon, waste, water, materials, nature and wellbeing
	Net zero pathway	Ensures that Workspace have quantifiable emission reduction targets and a clear plan to achieve net zero carbon in alignment with a 1.5°C future
	Green finance framework	A framework used by Workspace to issue a green debt instrument including green bonds, private placement, and green loans
<b>Social</b>	Health and safety policy	Ensures that Workspace delivers its obligations under health and safety legislation. The policy aims to reduce accidents and it endeavours to control health and safety risks to employees and others who may be affected by Workspace's activities
	Supplier Code of Conduct	Sets Workspace's principles for ethical conduct and behaviour in business practices. The Supplier Code of Conduct also ensures that Workspace's suppliers, contractors, service providers and representatives live up to our values and standards
	Modern slavery statement	Sets out a zero-tolerance stance towards slavery and human trafficking for Workspace's operations and amongst its suppliers
	Equal opportunities and dignity at work policy	Sets Workspace's expectations and standards regarding equal opportunities and dignity at work. The policy also outlines managerial and staff responsibilities to ensure the business' principles are observed
<b>Governance</b>	Risk management framework	A five-step approach to ensure Workspace has a robust process to assess and to manage risks
	Anti-Bribery and Corruption, and Gifts and Hospitality policy	Sets out standards and expectations for employees to ensure relationships with suppliers are conducted in an ethical way which is compliant with relevant legislation and provides guidance on how to recognise and deal with corruption issues
	Whistleblowing policy	Ensures that staff are aware of how to raise serious concerns. The policy provides guidance, and it ensures a robust process exists to enable an adequate response to the concerns raised. Ensures that staff will be protected from retribution
	Inclusion and diversity policy	Ensures that Workspace is committed to supporting diversity and to creating an inclusive culture



Workspace has a robust assurance programme, supported by internal and external checks to ensure compliance with policies