

## CORPORATE GOVERNANCE REPORT

### CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE STATEMENT

The Board is committed to maintaining high standards of corporate governance and we support and apply the principles of good governance advocated by the UK Corporate Governance Code (the Code). The Board works with honesty and integrity which it considers is vital to building a sustainable business for all of our stakeholders.

The Board believes that implementing a robust governance and corporate social responsibility framework in which appropriate management structures, processes and safeguards are adopted and are transparently communicated to shareholders is essential in aiding sustainable long-term economic performance.

During the year the Board considered a number of best practice provisions which would benefit the Group and as a result adopted and implemented certain provisions of the Code intended for larger companies such as the annual

re-election of its Directors and the undertaking of an externally facilitated evaluation of the Board and its Committees.

### COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

It is the Board's view that the Group has been fully compliant with the Code throughout the year ended 31 March 2012. The application of the principles contained in the Code is described below. Detailed reports on Directors' remuneration and the Audit Committee can be found on pages 57 to 68 and pages 51 and 52.

### CORPORATE GOVERNANCE STRUCTURE

The Board is responsible to shareholders for the strategic direction of the Group and the stewardship of its activities.

The Board has a number of standing committees to which specific responsibilities have been delegated and for which written terms of reference have been agreed.

### CORPORATE GOVERNANCE STRUCTURE

#### THE BOARD

- Establish the core values and standards which are implemented by Workspace's governance framework and operational activities.
- Set Workspace's business strategy and business objectives in order to create long-term value for shareholders.
- Ensure that the necessary resources are available to fulfil Workspace's strategic objectives.
- Review and monitor performance against its business objectives and consider any associated risk factors which may adversely impact the business at large.

#### EXECUTIVE COMMITTEE

- Address Group-wide issues and initiatives.
- Review and approve capital expenditure, disposals and certain acquisitions within established levels of authority.
- Monitor the operating and financial results against plans and budgets.
- Review the effectiveness of risk management and control procedures.

#### CITY COMMITTEE

- Review the quarterly, interim and annual reports and associated announcements prior to their review by the Audit Committee and the Board.

#### NOMINATIONS COMMITTEE

- Assess what new skills, knowledge and experience are required on the Board.
- Recommend to the Board candidates for appointment as Executive and Non-Executive Directors ('NEDs') of the Group.
- Consider succession policies and talent management.

#### REMUNERATION COMMITTEE

- Oversee all aspects of remuneration for Executive Directors.
- Recommend Chairman's remuneration.
- Consider remuneration policy and practices of the workforce.

#### AUDIT COMMITTEE

- Ensure the integrity of financial reporting and audit processes.
- Ensure maintenance of a sound internal control and risk management system.
- Review and monitor the external auditors independence, objectivity and effectiveness of audit process.
- Establish and implement policy on non-audit services.

#### SENIOR MANAGEMENT

- Assist the Executive Committee in the running of day-to-day operations in line with Group strategy.
- Review and track major initiatives.
- Attend regular meetings with the Executive Committee to review performance and operational activity.

#### INVESTMENT COMMITTEE

- Approve any acquisition or disposal of investment property assets.
- Review and monitor integration plans for acquisitions.
- Approve and monitor development contracts.
- Approve and monitor asset management property improvements.
- Make recommendations to the Board for its approval of any business initiative with a value of more than £2m.

#### FINANCE

- Produce the interim and annual financial reports and associated announcements.
- Establish and monitor financial processes of control and cash management.

#### EXTERNAL RECRUITMENT

- Advise and assist the Committee in the search for appropriate candidates.
- Advise and assist the Nominations Committee in increasing the effectiveness of the Board and ensure that diversity continues to be a major factor in profiling candidates.

#### ADVISORS

- Advise on all aspects of executive remuneration and aspects associated with the LTIP.
- Advise on administration and the tax treatment of share option schemes and deferred share awards.

#### EXTERNAL AUDITOR

- Audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

## THE BOARD

The Board has collective responsibility to the Group's shareholders and is accountable to them for creating long-term value and safeguarding their interests by establishing a robust governance framework which is applied to all aspects of its business.

The Board is collectively responsible for the performance of the Group. The Board discusses and agrees strategic plans and reviews budgets, business plans and business performance.

The Board has a formal schedule of matters reserved for its approval. The Board has ultimate responsibility for the Group's:

- overall business and financial strategy;
- overall management of its operations;
- risk management;
- major investment proposals;
- significant capital projects; and
- disposals and acquisitions of more than £2m.

Other day-to-day operational decisions are delegated by the Board to the Executive Committee.

The Chairman promotes open discussion among the Board members and encourages the NEDs to constructively challenge strategic and other business related debate in order to ensure that the decisions adopted by the Board have been vigorously tested.

To assist the Board in effectively discharging its duties, Directors receive relevant supporting information, which include but is not limited to the Group's financial results, performance reports and risk assessment reports. The governance framework implemented by the Group ensures

that open communication channels exist between the Board, its principal committees and from within the organisation. Copies of committee minutes are distributed to all Directors. Furthermore, the Board routinely considers environmental, ethical and reputational issues in order to ensure that they are fully reflected in the risk management process.

## KEY ACTIVITIES DURING THE YEAR

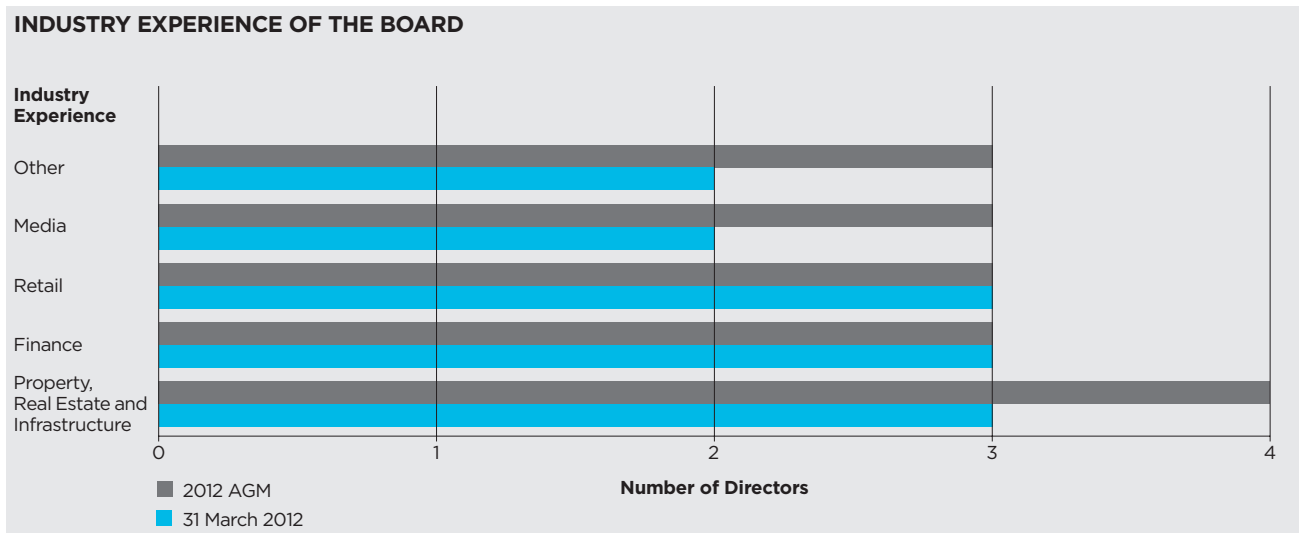
During the past financial year, the Board has met for scheduled Board meetings 11 times. Key matters reserved for the Board include:

- reviewing performance and implementation of the strategy by the Executive Committee;
- setting and monitoring of strategy, including the dividend policy;
- reviewing the Group's property valuation;
- considering additional financial resources for the purpose of accelerating the redevelopment programme across the Group's property portfolio;
- approval of redevelopment activity;
- quarterly, half year and annual reporting to shareholders;
- review of the Group's risk and related controls;
- Board appointments; and
- corporate governance matters and external Board evaluation.

## BACKGROUND AND EXPERIENCE OF THE BOARD

The Board currently has six Directors that bring considerable and diverse experience which enables them to make a valuable contribution to the Group.

The following table illustrates the collective business experience held by Board Directors, outside that acquired at Workspace Group PLC:



## CORPORATE GOVERNANCE REPORT

continued

The Board is actively considering diversity and believes this to be an important factor when considering appointments to the Board. As part of the recruitment process, the composition of the Board will be kept under review to ensure the best balance of skills and experience is maintained. Further details on our diversity policy can be found on page 55.

Biographical details of the Directors at the date of this report are set out on pages 40 and 41.

### BOARD STRUCTURE AND COMPOSITION

The Board has undergone a number of changes in its membership during the year. At our 2011 AGM, Tony Hales retired from the Board and was replaced by Daniel Kitchen who was appointed to the Board to assume the role of Non-Executive Chairman.

As was announced in 2011, Harry Platt had indicated his desire to retire in 2012. At that time, the Board delegated its authority to the Nominations Committee to prepare for an orderly succession and undertake a formal process to identify a suitable successor. Further details of the process are provided in the Nominations Committee section.

After considering a number of internal and external candidates, the Board unanimously agreed that Jamie Hopkins had the required skills and experience to lead the Group going forward. Harry Platt retired as CEO and stepped down from the Board on 31 March 2012 and Jamie Hopkins was appointed his successor on 1 April 2012.

Harry Platt has been retained by the Group in an advisory capacity for a three month period ending 30 June 2012 to ensure an orderly and effective handover to Jamie Hopkins.

Dr Maria Moloney was appointed as a Non-Executive Director on 22 May 2012 and she brings extensive knowledge and experience within marketing, business development and law.

During the year, the Board of Directors comprised:

Position	Directors (1 April 2011)	Directors (1 April 2012)	Directors (2012 AGM)
Non-Executive Chairman	Tony Hales	Daniel Kitchen	Daniel Kitchen
Chief Executive	Harry Platt	Jamie Hopkins	Jamie Hopkins
Finance Director	Graham Clemett	Graham Clemett	Graham Clemett
Senior Independent Non-Executive Director	Bernard Cragg	Bernard Cragg	Bernard Cragg
Independent Non-Executive Director	John Bywater	John Bywater	John Bywater
Independent Non-Executive	Jamie Hopkins	-	Maria Moloney

Notes:

- Tony Hales (former Non-Executive Chairman) retired from the Board on 28 July 2011.
- Harry Platt retired from the Board on 31 March 2012.
- Jamie Hopkins assumed the role of CEO on 1 April 2012.
- Daniel Kitchen joined the Board on 6 June 2011 and was appointed Chairman on 28 July 2011.
- Maria Moloney was appointed a Non-Executive Director on 22 May 2012.

The Nominations Committee is considering the appointment of additional Non-Executive Directors and details of this can be found in the Nominations Committee section.

### BOARD ATTENDANCE

The Board normally meets at regular intervals during the year. Supplementary meetings are also held as and when necessary.

During the year ended 31 March 2012, the attendance of Directors at board meetings was as follows:

	Scheduled Board Meetings	Director Attendance
Daniel Kitchen <sup>3</sup>	11	6
Tony Hales <sup>1</sup>	11	7
Harry Platt <sup>2</sup>	11	11
Graham Clemett	11	11
Bernard Cragg	11	11
John Bywater	11	11
Jamie Hopkins	11	10

Notes:

1. Tony Hales (former Non-Executive Chairman) retired from the Board on 28 July 2011. His attendance is based on the number of meetings held in which he was eligible to attend prior to his retirement.
2. Harry Platt retired from the Board on 31 March 2012.
3. Daniel Kitchen was appointed to the Board on 6 June 2011. Since his appointment Mr Kitchen has attended all Board meetings that he was eligible to attend.

During the year, the Board held an annual strategy meeting at which it considered the future strategy of the Group.

### BALANCE OF THE BOARD

The Board considers there to be an appropriate balance between Executive and Non-Executive Directors required to lead the business and safeguarding the interest of shareholders.

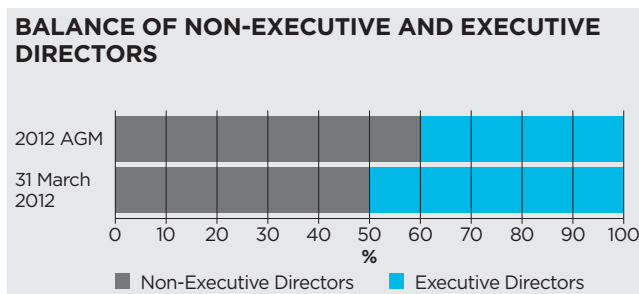
During the year ended 31 March 2012, the Board comprised of six directors including a Non-Executive Chairman, two Executive Directors and three independent Non-Executive Directors. The Non-Executive Chairman was considered by the Board to be independent upon his appointment. Jamie Hopkins became an Executive Director on 12 March 2012.

Due to Jamie Hopkins succeeding Harry Platt as CEO, the Board temporarily comprised five members, three of which, including the Chairman, are considered independent.

For the purpose of compliance with the Code during the 2011/12 reporting year, the Board comprised a majority of independent Non-Executive Directors, excluding the Chairman. Despite the temporary decrease in the number of Non-Executive Directors following Jamie Hopkins' appointment as CEO, the Board continues to fulfil the Code's requirement for companies of Workspace's size.

On 22 May 2012 Maria Moloney was appointed to the Board to re-establish a majority of Non-Executive Directors on the Board.

The following illustrates the balance of Non-Executive Directors to Executive Directors, excluding the Chairman, on the Board during past year:



### INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

Following the 2012 AGM, Bernard Cragg will have served as a Board Director for nine years. The Board recognises that his tenure will have reached a threshold at which his independence could be called into question by some shareholders under the criteria set by the UK Corporate Governance Code.

The Board has considered the independence of all of the Non-Executive Directors, and in particular that of Bernard Cragg during the board effectiveness review conducted during the year. The review concluded that the Non-Executive Directors, including Bernard Cragg, act in a robustly independent manner and bring constructive challenge to board discussions and independent decision-making to their Board and Committee duties.

The Board believes that no long-standing relationship which may be deemed to compromise independence has been formed with any of the Executive Directors or senior executives at Workspace. Furthermore following the retirement of Harry Platt earlier in the year, the longest-standing professional relationship between Bernard Cragg and any existing Executive Directors is no more than five years.

The Board accepts that some shareholders take a robust view of independence, in particular the tenure of Non-Executive Directors. The Board is committed to actively refresh its membership and that of its committees in line with its succession planning process which has been evident in recent years by the retirement of Mr Hales as Non-Executive Chairman and Mr Platt as Chief Executive

and the appointment of Mr Kitchen as Non-Executive Chairman, Dr Moloney as a Non-Executive Director and Mr Hopkins as Chief Executive.

Considering the changes to the Board which have occurred over the past year, the Board is mindful of ensuring that a certain level of continuity is maintained.

With this in mind and given the importance of the experience and skills required to perform the role of Chair of the Audit Committee and Senior Independent Director, Bernard Cragg will remain as a Board Director until the Annual General Meeting in 2014.

We continue to review and monitor Board and Board Committee composition against our skills and experience requirements and so we will be considering potential candidates, as Non-Executive Directors to join our Board over the next 12 months.

### ROLE AND RESPONSIBILITIES OF DIRECTORS CHAIRMAN, CHIEF EXECUTIVE AND SENIOR INDEPENDENT DIRECTOR

The roles and responsibilities of the Chairman and the Chief Executive are separate and the division of responsibilities has been clearly established.

The Chairman is responsible for leadership of the Board, ensuring its effectiveness and that it operates in the interests of shareholders. The Chairman facilitates the effective contribution of the Non-Executive Directors and ensures all Directors receive accurate, timely and clear information. The Chairman is not involved in an executive capacity in any of the Group's activities. He is also responsible for effective communication between the Board and shareholders.

During the year the Chairman held a number of meetings with the Non-Executive Directors, without the Executive Directors. The discussions largely revolved around succession planning.

The Chief Executive has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group and the determination of the strategy and achievement of its objectives.

Bernard Cragg, as the Senior Independent Director, is responsible for chairing the meeting of the Non-Executive Directors for the purpose of evaluating the Chairman's performance and to provide an alternative communication channel for shareholders if required.

### COMPANY SECRETARY

Carmelina Carfora is the Company Secretary to the Board of Workspace. Her biography can be found on page 41. Carmelina is responsible for ensuring good information flows within the Board and its committees and between senior management and Non-Executive Directors. She is also responsible for advising the Board, through the Chairman on all governance matters.

## CORPORATE GOVERNANCE REPORT

continued

### BOARD COMMITTEES

The Board has a number of standing committees, namely the Remuneration, Audit, Nominations, City and Executive Committees, to which specific responsibilities have been delegated and for which written terms of reference have been agreed. The terms of reference for the Remuneration, Audit and Nominations Committee are available for inspection on the Group's website. Board members receive minutes of meetings of all the Board's committees and can request presentations or reports on areas of interest.

### NOMINATIONS COMMITTEE



**DANIEL KITCHEN**  
Chairman

Number of meetings during the year	Scheduled	Attended
Daniel Kitchen (Chairman) <sup>1</sup>	5	4
John Bywater	5	5
Bernard Cragg	5	5
Jamie Hopkins <sup>2</sup>	5	3
Tony Hales (former Chairman) <sup>3</sup>	5	1

Notes:

1. Daniel Kitchen, who was independent upon appointment, was appointed as Chairman of the Committee on 28 July 2011. His attendance is based on the number of meetings held in which he was eligible to attend following him becoming a formal member.
2. Jamie Hopkins attended all meetings which he was eligible to attend prior to stepping down from the Committee.
3. Tony Hales retired from the Board on 28 July 2011. His attendance is based on the number of meetings held in which he was eligible to attend prior to him retiring from the Board.

During the year, the Nominations Committee was chaired by Daniel Kitchen and comprised all of the Non-Executive Directors. The names of the members of the Committee are shown in the table above, together with attendance at meetings. Jamie Hopkins stepped down as a member of the Nominations Committee in November 2011 once he had expressed an interest in the role of CEO.

Maria Moloney has been appointed to the Committee increasing the membership to four.

The Committee meets as required and makes proposals on the size, structure, composition and appointments to the Board. It periodically assesses what new skills, knowledge and experience are required and then recommends a candidate profile. It carries out the selection process and an external search agency is ordinarily used to assist in the identification of suitable candidates for Board appointments. The Nominations Committee then meets and decides which candidates, if any, will be recommended to join the Board.

In the 2011 Annual Report, the Committee reported on the process of succession undertaken for the appointment of the Chairman.

During the year, the main task of the Committee was the recruitment of a new CEO, as in early 2011, Harry Platt announced his desire to retire in 2012. Subsequently, the Committee was asked by the Board to prepare for an orderly succession and undertake a formal process to identify a suitable successor.

The Committee appointed Spencer Stuart, an external search consultancy, to assist it in identifying a diverse list of internal and external candidates qualified for the role.

The Committee met with a number of candidates and following several meetings and discussions, the Nominations Committee duly recommended to the Board that Jamie Hopkins be appointed as CEO. The Board unanimously agreed that Jamie Hopkins had the required skills and experience to lead the Group going forward and he was formally appointed as CEO with effect from 1 April 2012.

As would be expected, the Executive Directors took no part in the recruitment process of the new CEO.

In addition, following the vacancy of an NED role due to the appointment of Jamie Hopkins as CEO, the Nominations Committee duly recommended to the Board that Dr Maria Moloney be appointed as a Non-Executive Director.

## REMUNERATION COMMITTEE



**JOHN BYWATER FRICS**  
Non-Executive Director

Number of meetings during the year	Scheduled	Attended
John Bywater (Chairman)	9	9
Bernard Cragg	9	9
Daniel Kitchen <sup>1</sup>	9	1
Jamie Hopkins <sup>2</sup>	9	7
Tony Hales <sup>3</sup>	9	3

Notes:

- Daniel Kitchen was appointed as a member of the Committee on 1 February 2012. His attendance is based on the number of meetings held in which he was eligible to attend following him becoming a formal member.
- Jamie Hopkins stepped down as a member of the Committee in March 2012.
- Tony Hales retired from the Board on 28 July 2011. His attendance is based on the number of meetings held in which he was eligible to attend prior to his retirement from the Board.

During the year ended 31 March 2012, the Remuneration Committee was chaired by John Bywater and comprises all of the Non-Executive Directors. The names of the members of the Committee are shown in the table above, together with attendance at meetings. Daniel Kitchen, the Group Chairman was appointed as a Committee member on 1 February 2012. Jamie Hopkins stepped down as a formal member of the Committee on 1 March 2012. The Committee comprises two independent Non-Executive Directors and the Board Chairman, who was independent upon appointment.

Maria Moloney has been appointed to the Committee increasing the membership to four.

The Chief Executive is, other than discussions in respect of his own position, invited to attend and contribute towards meetings.

Under its terms of reference the Committee meets at least twice a year. During the year under review the Committee met nine times. It is responsible for all aspects of the remuneration of the Executive Directors. The Committee is also responsible for recommending the Chairman's remuneration to the Board in compliance with the UK Corporate Governance Code.

Further details of the Remuneration Committee, remuneration policy and of the remuneration of each Director are set out in the Remuneration Report.

## AUDIT COMMITTEE



**BERNARD CRAGG BSC ACA**  
Senior Independent  
Non-Executive Director

Number of meetings during the year	Scheduled	Attended
Bernard Cragg (Chairman)	3	3
John Bywater	3	3
Jamie Hopkins <sup>1</sup>	3	3

Notes:

- Jamie Hopkins stepped down as a member of the Committee in March 2012.

The Audit Committee ensures the integrity of financial reporting and audit processes and the maintenance of a sound internal control and risk management systems, details of which are described below.

The Committee comprises all the Non-Executive Directors, except the Chairman, and is chaired by Bernard Cragg. Jamie Hopkins stepped down as a formal member of the Committee on 1 March 2012. The Committee then comprised two independent Non-Executive Directors. Maria Moloney, who was appointed to the Board on 22 May 2012, has also joined the Committee thereby maintaining its membership to three independent Non-Executive Directors.

In addition the Company intends to recruit an additional Non-Executive Director who will be appointed to the Committee and will bring the necessary skills and experience required.

Bernard Cragg, the Chairman of the Audit Committee, is a Chartered Accountant and the Board is satisfied that he has the required and relevant financial experience. The Audit Committee collectively has the skills and experience required to fully discharge its duties, and it has access to independent advice at the Group's expense.

The Group Chairman, the Chief Executive, the Group Finance Director, and other senior finance personnel and, when necessary, operational management together with senior representatives of the external auditors may attend meetings by invitation.

Meetings of the Audit Committee coincide with key dates in the financial reporting and audit cycle. The Committee Chairman reports the outcome of meetings to the Board. During the year under review the Committee met three times.



## CORPORATE GOVERNANCE REPORT continued

During the year, the Committee met in private sessions with its external auditors, PricewaterhouseCoopers LLP ('PwC'), in the absence of management at least twice.

During the year the Committee was responsible for reviewing, and reporting to the Board, on a range of matters including:

- the interim and annual financial statements;
- the appropriateness of the Group's accounting policies and practices;
- the valuations of the Group's property portfolio;
- the review of the Group's internal control and risk management systems;
- the external auditor's management letter;
- the Group's compliance with REIT legislation;
- the need and use for an internal audit function; and
- the review of fraud risk.

Due to its size and structure, the Group does not have an internal audit function, a matter which is kept under review by the Committee. However, the Group does undertake a programme of financial, operational and health and safety audits at its estates. These are carried out by qualified senior Head Office personnel on a rotational basis.

The Committee has a rolling agenda that ensures that the Committee receives appropriate information far enough in advance to enable it to fulfil its responsibilities. This includes not only information from management but also detailed reports from the external auditor.

### EXTERNAL AUDITORS

The Audit Committee recognises that the independence of the Group's external auditor is of paramount importance to shareholders and the Audit Committee terms of reference establish a process for monitoring and approving the nature and the level of related fees for non-audit services (e.g. accounting, tax or due diligence work) paid to the Group external auditors.

The Group uses the external auditor for relevant financial work for a variety of reasons, including their knowledge of the Group, the audit-related nature of the work and the need to maintain confidentiality.

At each meeting, the Committee will be advised of any significant non-audit work awarded to the external auditor since the previous meeting and the related fees. At the annual May meeting, the Committee receive a report of fees, both audit and non-audit from PwC for the past financial year. The Committee has considered in detail the nature and level of non-audit services provided by PwC and the related fees. The Committee may challenge and in some instances refuse proposals in respect of non-audit work to be performed by the external auditor.

In addition, the Committee will assess the threats of self review by the external auditors, self interest, advocacy and familiarity – these are set out below and considered in relation to PwC's services:

### 1. A self review threat – this is where, in providing a service, the PwC audit team could potentially evaluate the results of a previous PwC service.

The Committee specifically will not allow the auditors to:

- Do anything that is a management responsibility (e.g. such as setting performance targets or determining employees' actual compensation).
- Provide accounting or book-keeping services.
- Prepare financial statement disclosure items.

### 2. A self interest threat – where a financial or other interest (of an individual or PwC) will inappropriately influence an individual's judgement or behaviour.

The Committee will specifically perform the following:

- If the external auditor is to be considered for the provision of non-audit services, their scope of work and fees must be approved in advance by the CFO and the Committee Secretary and, in the case of fees in excess of £50,000 for a single project, by the Committee (or if approval is required before the next meeting, by the Committee Chairman). 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.
- It does not accept significant contingent fee arrangements with the external auditors.

### 3. An advocacy threat – this is where PwC or PwC personnel promote an audit client's position to the extent where PwC's objectivity as auditor is compromised.

- The Group will not use PwC in an advocacy role.

### 4. A familiarity threat – this is where, because of a too long or too close a relationship, the external auditor's independence is affected.

- The Committee will prohibit 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 Committee will be advised of any new hires caught by this policy. However, there have been no instances of this occurring. In addition, PwC will rotate their audit partner every five years.
- The Committee will monitor on an ongoing basis the relationship with the external auditor to ensure its continuing independence, objectivity and effectiveness. By reference to the external auditor's litigation record, financial assets, structure of the firm and the level of its professional indemnity insurance cover, the Committee will determine the external auditor's financial stability and assess the likelihood of its being able to meet any liabilities arising from the audit engagement.

Further details of the Audit Committee and its activities are set out in the Audit Committee Report.

Fees paid to PwC can be found in note 3 on page 79.

**BOARD EFFECTIVENESS AND SUCCESSION PLANNING  
BOARD EFFECTIVENESS REVIEW**

Each year the Board carries out a formal internal evaluation of its own performance. The process comprises the Company Secretary issuing a detailed questionnaire covering the Board and its Committees to Board members.

**PROCESS**

The responses to the questionnaire are collated by the Company Secretary, who then prepares reports for each of the chairmen of the Board and relevant committees. The responses are discussed at the Board and the relevant committees taking follow up actions where considered necessary.

**THE QUESTIONNAIRE COVERS A VARIETY OF ISSUES SUCH AS THE EFFECTIVENESS OF:**



The review includes the assessment of individual Directors' performance, which in the case of the Executive Directors is undertaken as part of the wider performance appraisal process applied to staff across the Group.

The review of the Chairman's performance is undertaken by the Non-Executive Directors, led by Bernard Cragg in his capacity as the Senior Independent Director, taking into

account the views of the Executive Directors. Following the review, Bernard Cragg meets with the Chairman to discuss his performance.

During the year an internal review was not undertaken as an external evaluation of the Board was conducted by Wickland Westcott.

**EXTERNAL EVALUATION**

During the past year the Board engaged an external party, Wickland Westcott to undertake formal evaluation of its performance, and that of the committees and the Directors. The evaluation process took the form of questionnaires completed by Directors and key executives, followed by structured interviews with representatives from Wickland Westcott.

The review focused on a number of areas in which several specific matters were considered and a number of actions were determined.

The key themes arising from the evaluation and which will form the basis of the action plan for 2012 are:

**BOARD PERFORMANCE - 2012 OBJECTIVES**



**ACTION POINTS**

- Develop further the process by which the Board engages in the development of strategy.
- Continuing to develop an appropriate process for succession planning for Board and senior executive positions.

- Ensuring that the Board continues to have an appropriate range and balance of skills, experience and diversity.
- The Board will continue to enhance their interaction with Executive Committee members to gain an enhanced understanding of the challenges and opportunities they face in the business environment.



## CORPORATE GOVERNANCE REPORT

continued

### THE CITY COMMITTEE

The City Committee comprises the Chairman, the Chief Executive, the Senior Independent Director and the Finance Director. The City Committee reviews the quarterly, interim and annual reports and associated announcements prior to their review by the Audit Committee and the Board.

### THE EXECUTIVE COMMITTEE

The Executive Committee consists of the Executive Directors together with the Operations Director and Development Director. It is chaired by the Chief Executive. The Committee facilitates and assists the Chief Executive in managing the day-to-day activities of the Group and addressing group-wide issues and initiatives. The Executive Committee is responsible for reviewing and approving capital expenditure; disposals and acquisitions at certain levels as determined by the Board; the monitoring of the operating and financial results against plans and budgets; and to ensure the effectiveness of risk management and control procedures.

The Committee has met 11 times during the year ended 31 March 2012.

The Group also operates a Development Board and an Operations Board which comprise various members of the Executive Committee and the senior management team.

The responsibilities of the Executive Committee members include:

#### **Jamie Hopkins, Chief Executive**

Strategic management; investor relations; acquisitions and disposals; health and safety; staff; equal opportunities; remuneration; and training and development.

#### **Graham Clemett, Group Finance Director**

Finance; treasury; company secretarial; investor relations; and the Group's IT strategy.

#### **Chris Pieroni, Operations Director**

Portfolio performance; asset management; lettings and marketing; rent reviews; and renewals.

#### **Angus Boag, Development Director**

Planning consents; development of assets; valuations; acquisitions and disposals; sustainability; and environmental strategy.

### RE-ELECTION OF DIRECTORS

The Articles of Association of the Group require that Directors should submit themselves for election at the first opportunity after their appointment and thereafter for re-election at least every three years. However, at the 2011 AGM the Group had adopted the requirements of the UK Corporate Governance Code (June 2010) in relation to Directors' appointments and in particular the annual re-election of all Directors. Therefore, in accordance with provision B.7.1 of the UK Corporate Governance Code, all the Directors will retire at the AGM and being eligible, offer themselves up for re-election.

The Board considers that all of the Directors have the necessary skills and experience needed to effectively lead the business. In addition, the NEDs are considered to bring independent objectivity in order to safeguard and promote the interest of shareholders.

The Board has considered the outcome of the external board effectiveness review as well as the performance of each individual Director, including how they operate as a collective in fulfilling their duties on the Board or as members of the Board's Committees. The Board has accepted the recommendations provided by the Nominations Committee and is of the opinion that the directors seeking re-election at the AGM have continued to give effective counsel and commitment to the Company and accordingly should be reappointed by the Group's shareholders at the upcoming AGM.

Mr Hopkins and Mr Clemett have service contracts and details can be found on page 64.

None of the Non-Executive Directors have service contracts.

The appointment of Mr Kitchen may be terminated by either he or the Group giving six months' notice in writing.

The appointment of Mr Bywater and Mr Cragg may be terminated by any one of them or the Group giving six months' notice in writing.

Dr Moloney was appointed as a Non-Executive Director with effect from 22 May 2012. Dr Moloney therefore stands for election at the forthcoming Annual General Meeting. Dr Moloney's appointment may be terminated by either the Company or by her giving three months' notice in writing. Dr Moloney has been invited to join the Remuneration, Audit and Nominations Committees.

Biographies for the Directors can be found on pages 40 and 41.

## CORPORATE GOVERNANCE POLICIES TRAINING AND DEVELOPMENT

A tailored induction programme is provided for each new Director. Overall, the aim of the induction programme is to introduce new Directors to the Group's business and its governance arrangements. Such inductions typically include meetings with senior management, site visits and presentations of key business areas and other relevant documentation. In addition, Directors are encouraged to update their skills, knowledge and familiarity with the Group by attending external seminars and briefings, through participation at meetings and through visits to estates, meetings with senior management and advisers. The Directors are regularly updated on new legislation and corporate governance issues as they arise. Directors are given access to independent professional advice at the Group's expense, if they deem it necessary, in order for them to carry out their responsibilities. This is in addition to the access that every Director has to the Company Secretary. The Group has continued to secure appropriate insurance cover for its Directors and its Officers.

## DIVERSITY

Workspace employs enthusiastic, committed and well-trained people, whose diversity reflects that of London itself. The Board is fully 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. At Workspace we have had a good record of promoting and appointing women to senior positions. Our employee gender profile is fairly evenly split with a total of 43% female and 57% male employees.

The Board recognises the benefits of diversity of skills, knowledge and independence, as well as gender diversity. During the year, the Board formally discussed and reviewed its policy regarding diversity, including gender, on the Board and within the Group as a whole. As a result the Board requested that going forward, diversity becomes a formal area for consideration in board effectiveness reviews and in its succession planning. Consequently, diversity will form part of considerations afforded to the search and selection process for Directors and staff.

The Board does not consider it appropriate at this time to set quotas for board representation, but will monitor developments in best practice.

## ACCOUNTABILITY AND AUDIT

In its financial reporting to shareholders and other interested parties, by means of Annual and Half-Yearly Financial Reports, Interim Management Statements and other periodic statements, the Board aims to present a balanced and understandable assessment of the Group's position and prospects.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board has reviewed the Group's system of controls including financial, operational, compliance and risk management on a regular basis throughout the year. However, any such system can only provide reasonable and not absolute assurance against any material misstatement or loss.

The Group has established a risk management framework and procedures necessary to enable the Directors to report on internal controls in compliance with the Code. The risk management procedures involve the analysis, evaluation and management of the key risks to the Group.

The other key elements of the Group's system of internal control include:

- a comprehensive system of financial reporting;
- an organisational and management Board structure with clearly defined levels of authority and division of responsibilities;
- a Risk Committee, which is chaired by the Operations Director and attended by representatives from senior management. The Risk Committee meets on a regular basis and formally reports to the Audit Committee twice a year;
- a programme of site audit visits, covering a significant proportion of the sites each year. Although the Group does not have a dedicated internal audit function an operational, finance and health and safety audit are carried out at the estates by qualified Head Office personnel. The results of the audits are reported to and reviewed by the Risk and Audit Committees and appropriate action taken as required.

The Risk Committee reviews and identifies risks facing the Group and ensures that appropriate controls are in place to review each issue raised. Each identified risk is assigned a 'Risk Owner'. PKF are appointed by the Risk Committee to undertake specific projects to review particular areas of the business.

## CORPORATE GOVERNANCE REPORT

continued

The Group has 'whistleblowing procedures' under which staff may report any suspicion of fraud, financial irregularity or other malpractice. There is also a process in place for staff to report operational risks and issues to the Risk Committee.

The Group has continued to develop its risk management and has reappraised its risks in the light of the changes in the external environment during the last year.

The Group has also considered the requirements of the Bribery Act 2010 and taken steps to ensure that it has adequate procedures as set out by the Act.

The Group continues to strengthen its risk management processes to ensure these are embedded as part of the Group's culture. The Turnbull Guidance sets out best practice on internal control to assist companies in applying the Codes principles with regards to internal control. The Board, with advice from the Audit Committee has completed its review of the effectiveness of internal control with no significant failings or weaknesses identified.

Further information on the Group's risks is detailed on pages 32 to 35.

### TAKEOVER DIRECTIVE

Share capital structures are included in the Directors' Report on page 43.

### GOING CONCERN

Going Concern disclosures are included in the Directors' Report on page 42.

### RELATIONS WITH SHAREHOLDERS

A copy of the Annual Report and Accounts is sent to shareholders and is also available on the Group's website, which additionally contains up-to-date information on the Group's activities and published financial results and presentations.

Executive Directors have frequent discussions with institutional shareholders on a range of issues throughout the year affecting the Group's performance, which include meetings following the announcements of the annual and interim results. Meetings are also held with analysts and the financial press. The Group's stockbrokers also discuss the outcome of meetings with shareholders and report their findings to the Board. Other ad hoc meetings, presentations and site visits are arranged for shareholders throughout the year.

The Group's Annual General Meeting is used as an opportunity to communicate with private investors. Shareholders attending the Annual General Meeting are invited to ask questions and to meet with the Directors informally after the meeting.

By order of the Board

### CARMELINA CARFORA

Company Secretary  
11 June 2012