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

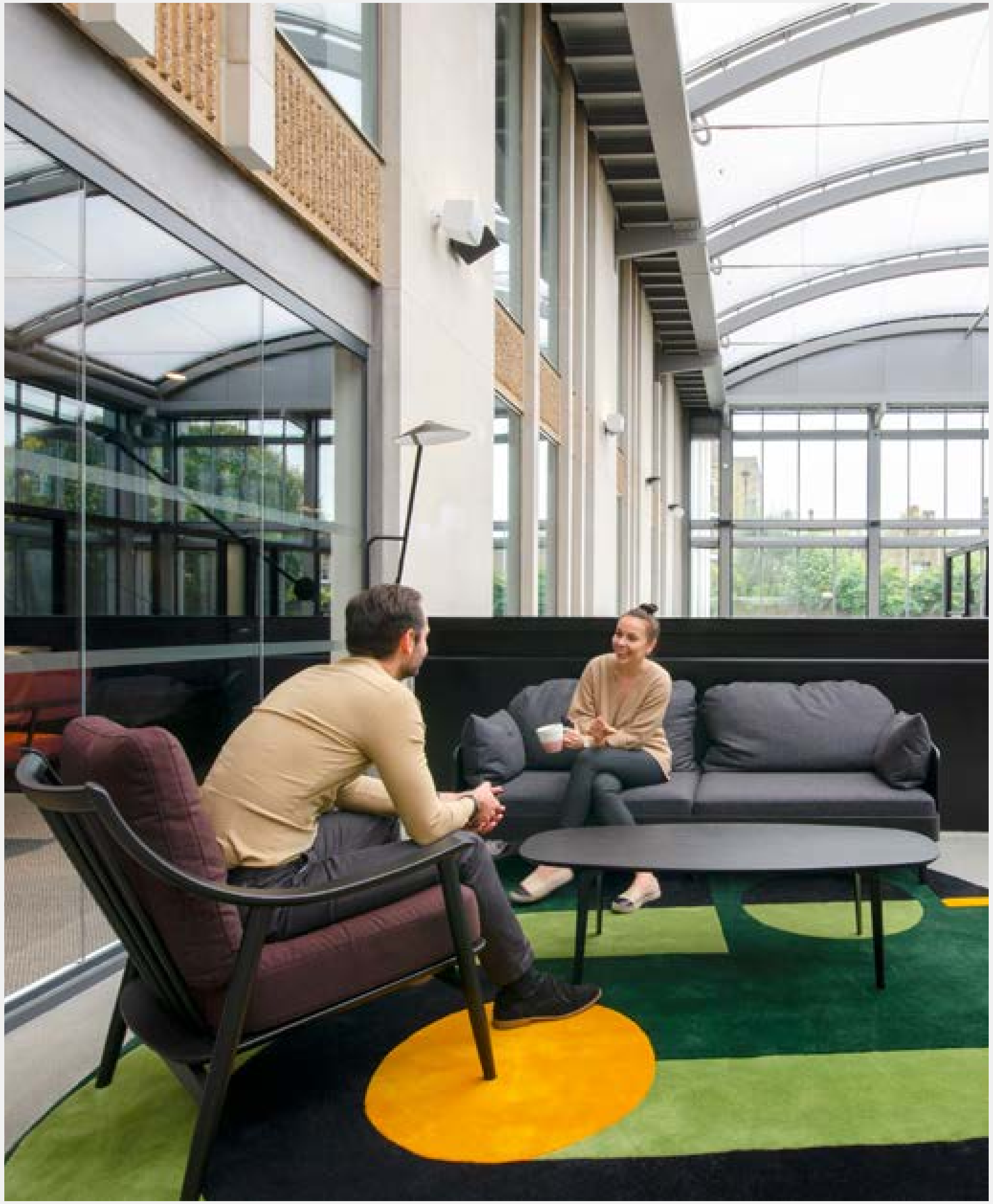
Risk management continues to be an integral part of all our activities. Risks and opportunities are considered in every business decision we make. It is embedded in our culture to consider potential risks of any new business decision. We focus on key risks which could impact on the achievement of our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