WORKSPACE®

Home to London's Brightest Businesses

Workspace Group PLC
Annual Report and Accounts 2021

INTRODUCTION

Our purpose is to give businesses the freedom to grow.

WHO WE ARE

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

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

Our Strategy, see page 29

Customer at Kennington Park

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INTRODUCTION CONTINUED

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

AN UNPRECEDENTED YEAR

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

Business Review, see page 71

The Frames, Shoreditch

2020/2021 HIGHLIGHTS

FINANCIAL

£81.5m
Net rental income

£38.7m
Trading profit after interest

£2.3bn
Property valuation

£9.38
EPRA NTA per share

17.75p
Dividend per share

OPERATIONAL

739
Average enquiries per month

96
Average lettings per month

81.6%
Like-for-like occupancy

£85.1m
Like-for-like rent roll

95%
Rent collection

ESG

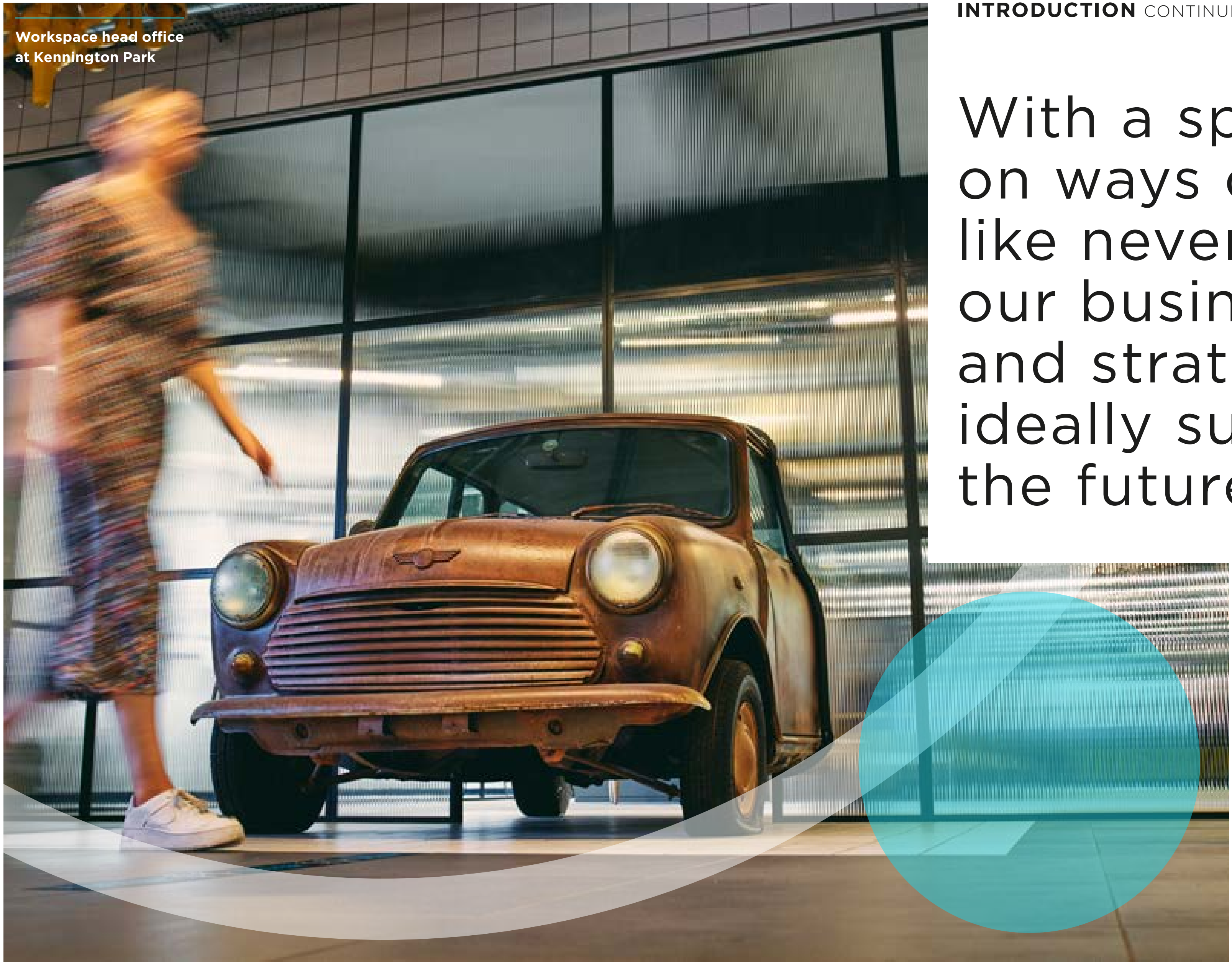
2030
Net zero carbon by 2030

£300m
Raised in green bond issuance

100%
Renewable electricity sourced

50%
Rent reduction offered to customers in Q1 20/21

£35k
Donated to Single Homeless Project



Workspace head office at Kennington Park

INTRODUCTION CONTINUED

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

A CLEAR MARKET LEADER IN A CHANGING WORLD

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

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

CEO Statement, see page 9

INTRODUCTION CONTINUED

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

BRAND CAMPAIGN

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

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

Workspace advertising on London buses

INTRODUCTION CONTINUED

Q&A with the Executive Team

WILL ABBOTT
CHIEF CUSTOMER OFFICER

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

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

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

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

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

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

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

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

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

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

CHAIRMAN'S STATEMENT

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

Stephen Hubbard
Chairman

CHAIRMAN'S STATEMENT CONTINUED

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

£81.5m

Net rental income

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

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

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

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

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

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

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

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

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

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

INVESTMENT PROPOSITION

Delivering long-term value for shareholders.

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

Leadership in London's flexible office market

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

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

Our business model, see page 11

Significant growth opportunity

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

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

Our portfolio, see page 14

Sustainability

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

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

Doing the Right Thing, see page 34

Strong financial position

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

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

Business review, see page 71

An experienced team

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

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

Executive Committee, see page 132

CHIEF EXECUTIVE OFFICER'S STATEMENT

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

Graham Clemett
Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

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

£38.7m
Trading profit after interest

17.75p
Final dividend per share

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

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

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

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

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

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

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

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

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

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

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

OUR BUSINESS MODEL

WHAT WE DO

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

HOW WE DELIVER VALUE

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

STAKEHOLDERS

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

See page 20

Customer proposition

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

See page 12

Unique portfolio

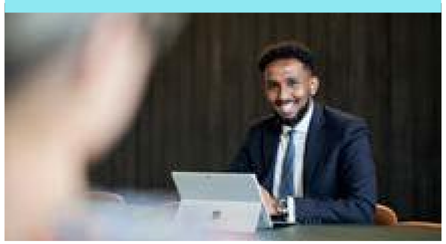
Our high-quality portfolio is wholly London-based. We hold our properties for long-term income generation and our ownership model gives us the flexibility to enhance the quality of space and expand our footprint through refurbishments and redevelopments.

See page 13

Operating platform

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

See page 15



Talented people

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

See page 16

Prudent financing

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

See page 18

Sustainability

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

See page 19

OUR BUSINESS MODEL IN ACTION

Customer proposition

A flexible offer tailored to customer needs

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

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

Clearly articulating our brand proposition

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

Building a customer-first culture

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

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

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

Freddie’s Flowers office at Riverside in Wandsworth

CASE STUDY

Freddie’s Flowers

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

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

OUR BUSINESS MODEL IN ACTION CONTINUED

Unique portfolio

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

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

Active asset management

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

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

Climate change mitigation and resilience, see page 37

Growing the portfolio

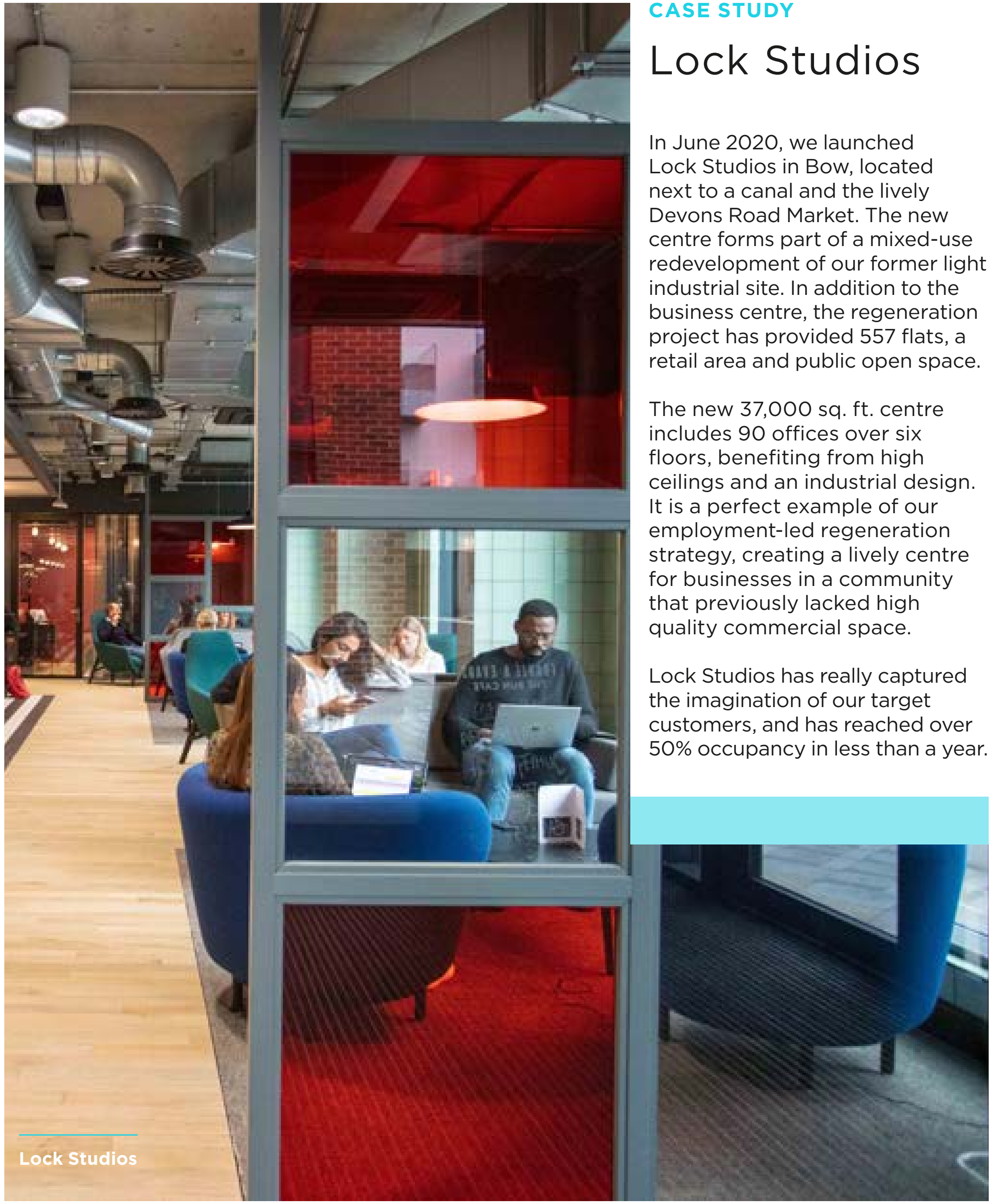
Our ambition is to continue to grow the portfolio through our project pipeline and strategic acquisitions. We have deep knowledge of the London property market and sometimes track properties that would suit our multi-let strategy for many years. We take a disciplined approach driven by the scale of our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

EXTENSIVE PROJECT PIPELINE

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

1.4m sq. ft.

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



Lock Studios

CASE STUDY

Lock Studios

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

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

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

OUR BUSINESS MODEL IN ACTION CONTINUED

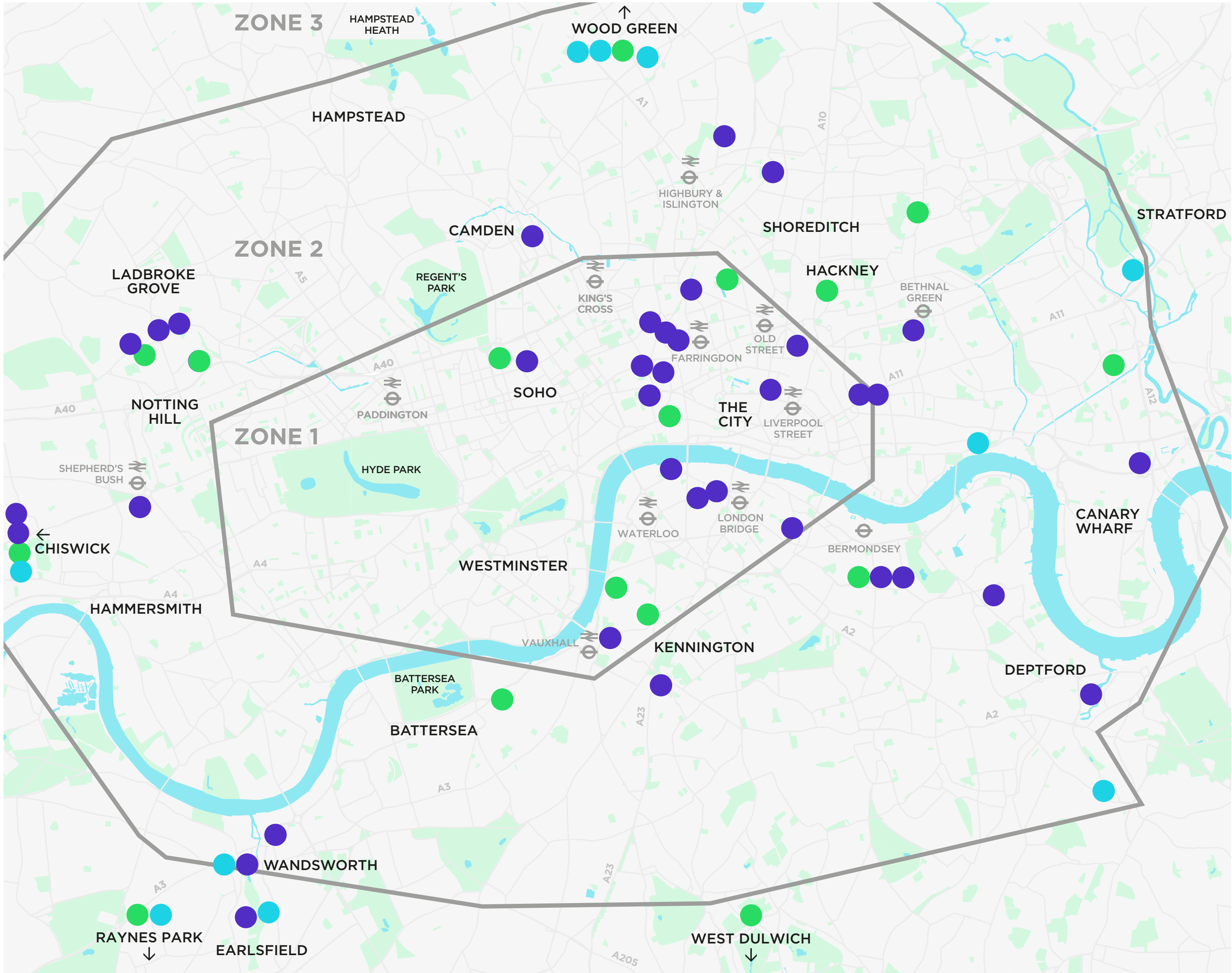
UNIQUE PORTFOLIO CONTINUED

OUR PORTFOLIO

A scale portfolio in dynamic locations spread across London.

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

- Like-for-like
- Refurbishments
- Redevelopments



OUR BUSINESS MODEL IN ACTION CONTINUED

Operating platform

£103.9m
Total rent roll at 31 March 2021

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

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

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

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

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

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

CASE STUDY

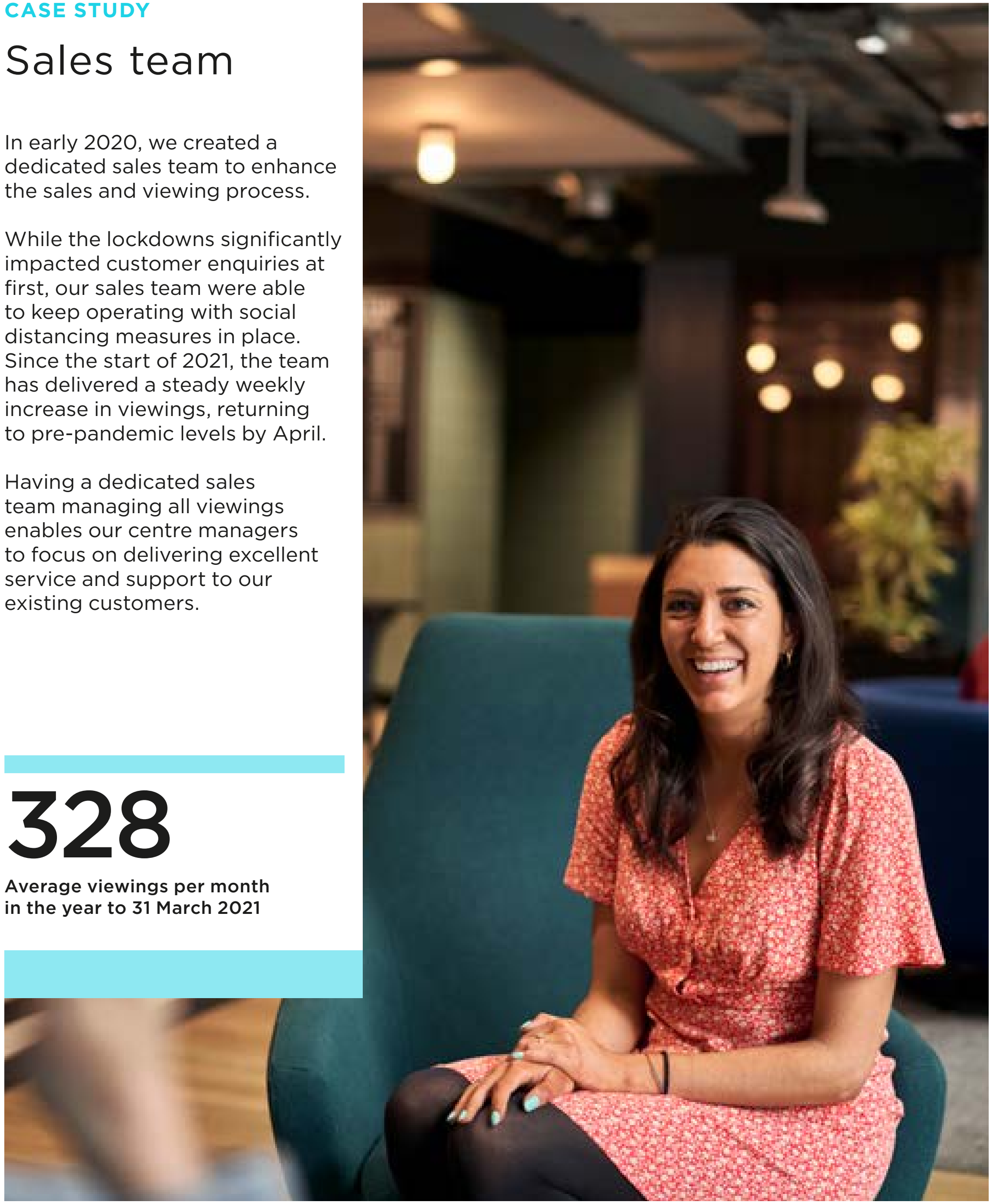
Sales team

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

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

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

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



OUR BUSINESS MODEL IN ACTION CONTINUED

Talented people

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

Operating during the pandemic

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

Importance of culture

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

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

Employee wellbeing

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

Looking after our people, see page 45








CASE STUDY

Workspace Winners

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

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

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

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

OUR BUSINESS MODEL IN ACTION CONTINUED
TALENTED PEOPLE CONTINUED

OUR VALUES

1. Know your stuff

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

2. Show we care

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

3. Find a way

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

4. Be a little crazy

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

2020/21 SUMMARY

£81.5m
Net rental income

£38.7m
Trading profit after interest

£2,324m
Property valuation

£9.38
EPRA net tangible assets per share

24%
Loan to value

£434m
Cash and undrawn facilities

Dave Benson, CFO, at Workspace head office

OUR BUSINESS MODEL IN ACTION CONTINUED

Prudent financing

Our financial strategy is primarily focused on generating sustainable income.

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

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

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

Business review, see page 71

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

Dave Benson
Chief Financial Officer

OUR BUSINESS MODEL IN ACTION CONTINUED

Sustainability

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

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

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

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

SUSTAINABLE DEVELOPMENT GOALS

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

Commitment to net zero carbon by 2030

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

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

Doing the Right Thing, see page 34


Mare Street Studios

CASE STUDY

Mare Street Studios

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

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

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

95%

of the waste generated during the refurbishment was diverted from landfill

OUR STAKEHOLDERS

Our stakeholders are essential partners in our ongoing success.

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

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

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

Board activities

See page 111

Our customers

HOW WE ENGAGE

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

SIGNIFICANT TOPICS RAISED

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

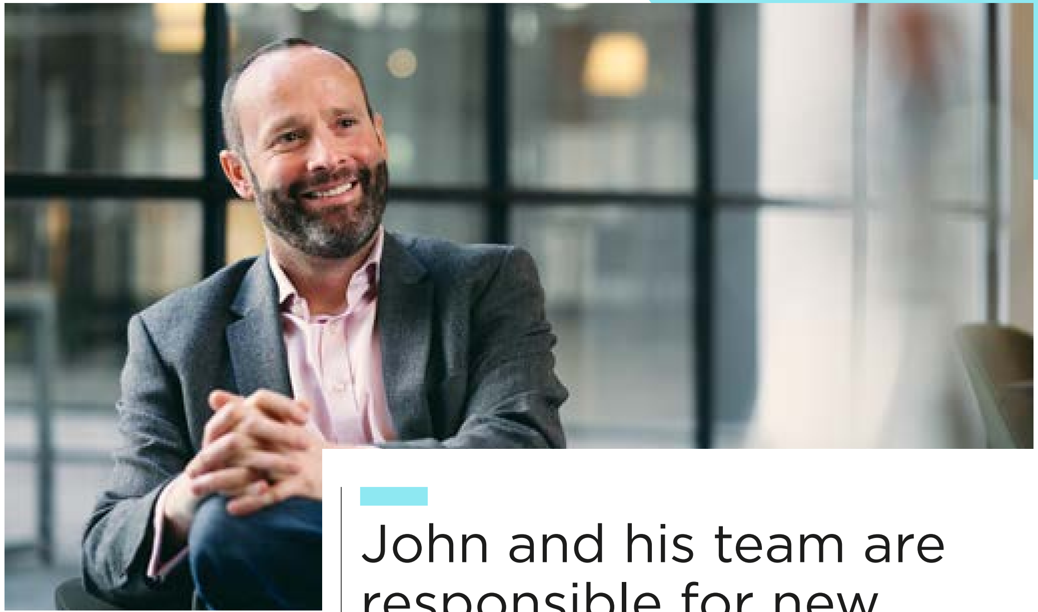
ACTIVITY IN THE YEAR

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

OUR STAKEHOLDERS CONTINUED

Q&A with the Executive Team

JOHN ROBSON
ASSET MANAGEMENT DIRECTOR



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

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

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

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

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

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

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

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

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

OUR STAKEHOLDERS CONTINUED

Our people

85%

of staff completed our employee engagement survey

SIGNIFICANT TOPICS RAISED

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

HOW WE ENGAGE

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

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

ACTIVITY IN THE YEAR

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

Our investors

292

institutional investors engaged with during the year

SIGNIFICANT TOPICS RAISED

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

HOW WE ENGAGE

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

ACTIVITY IN THE YEAR

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

OUR STAKEHOLDERS CONTINUED

Our partners & suppliers

Procurement

Introduced ESG questions to the procurement process for all suppliers

SIGNIFICANT TOPICS RAISED

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

HOW WE ENGAGE

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

ACTIVITY IN THE YEAR

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

Our communities

38

Workspace volunteers provided students with virtual careers workshops or work experience

SIGNIFICANT TOPICS RAISED

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

HOW WE ENGAGE

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

ACTIVITY IN THE YEAR

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

OUR STAKEHOLDERS CONTINUED

The environment

HOW WE ENGAGE

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

2030 Committed to become a net zero carbon business by 2030

SIGNIFICANT TOPICS

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

ACTIVITY IN THE YEAR

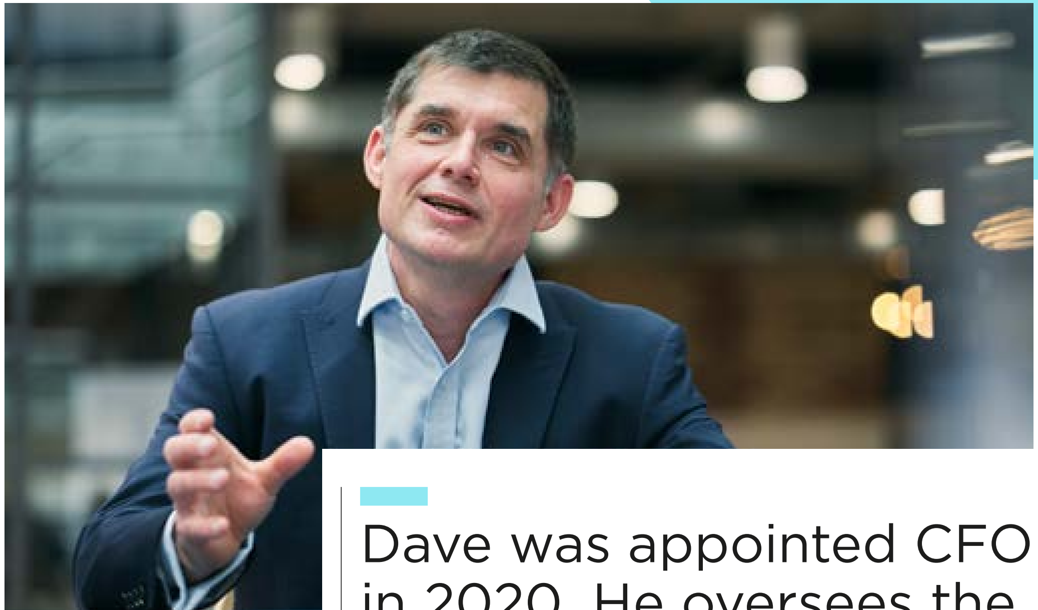
- Committed to becoming a net zero carbon business by 2030 and published our pathway to achieve that goal
- Approved science-based targets, aligned to limit global warming to 1.5°C
- Set up a Green Finance Committee and published Green Finance Framework
- Issued first green corporate bond, raising £300m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

Clerkenwell Workshops

OUR STAKEHOLDERS CONTINUED

Q&A with the Executive Team

DAVE BENSON
CHIEF FINANCIAL OFFICER



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

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

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

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

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

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

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

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

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

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

OUR RESPONSE TO MARKET TRENDS

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

Business review

See page 71

Our strategy

See page 29

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

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

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

What this means to Workspace

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

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

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

1,172
enquiries in March 2021

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

OUR RESPONSE TO MARKET TRENDS CONTINUED

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

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

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

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

What this means to Workspace

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

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

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

26%

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

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

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

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

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

What this means to Workspace

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

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

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

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

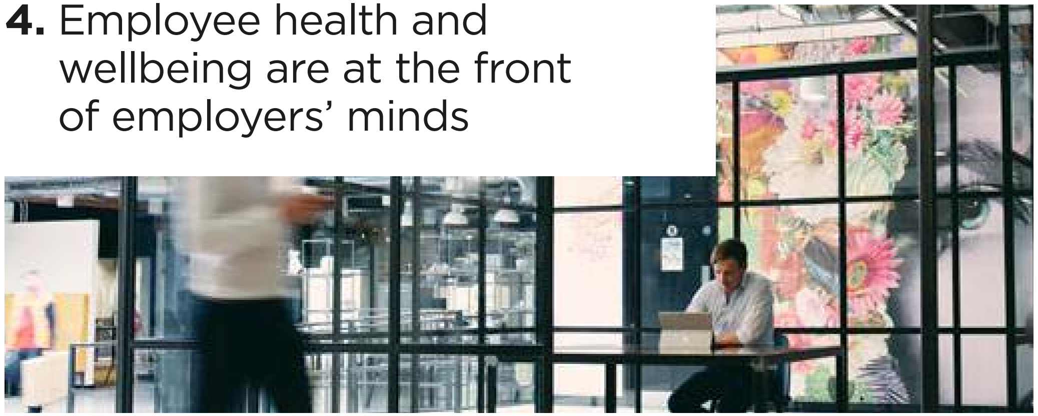
3%

market share for Workspace with significant opportunity to grow

1. UK Flex Market Review, 2020, Instant Group

OUR RESPONSE TO MARKET TRENDS CONTINUED

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



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

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

What this means to Workspace

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

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

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

76%

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

1. Oracle and Workplace Intelligence Report, 2020

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

42%

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

100%

renewable electricity sourced by Workspace

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

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

What this means to Workspace

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

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

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

1. UKGBC website, 2021

OUR STRATEGY

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

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

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

Driving customer-led growth...

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

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

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

RELEVANT PRINCIPAL RISKS AND UNCERTAINTIES
1, 7, 5

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

See page 30

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

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

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

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

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

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

See page 31

...whilst always Doing the Right Thing

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

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

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

RELEVANT PRINCIPAL RISKS AND UNCERTAINTIES
3, 7, 8

RELEVANT KPIS
Financial: 7, 8
Operational: 6

See page 32

OUR STRATEGIC PROGRESS

Driving customer-led growth...

CEMENT OUR POSITION AS HOME TO LONDON'S BRIGHTEST BUSINESSES

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

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

CONTINUALLY ENHANCE CUSTOMER EXPERIENCE

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

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

LEADING IN LONDON'S FLEXIBLE OFFICE MARKET

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

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


Wild Cosmetics, based at China Works

CASE STUDY

Wild

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

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

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

OUR STRATEGIC PROGRESS CONTINUED

…on a foundation of operational excellence…

ACTIVE PORTFOLIO MANAGEMENT

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

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

EFFICIENT, SCALABLE OPERATING PLATFORM

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

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

PRUDENT FINANCING AND STRICT INVESTMENT CRITERIA

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

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

CASE STUDY

£300m green bond issuance

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

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

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

£300m
green bond

Green Finance Framework, page 42

OUR STRATEGIC PROGRESS CONTINUED

...whilst always Doing the Right Thing

DRIVING EMPLOYMENT-LED REGENERATION

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

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

CREATING SUSTAINABLE ENVIRONMENTS

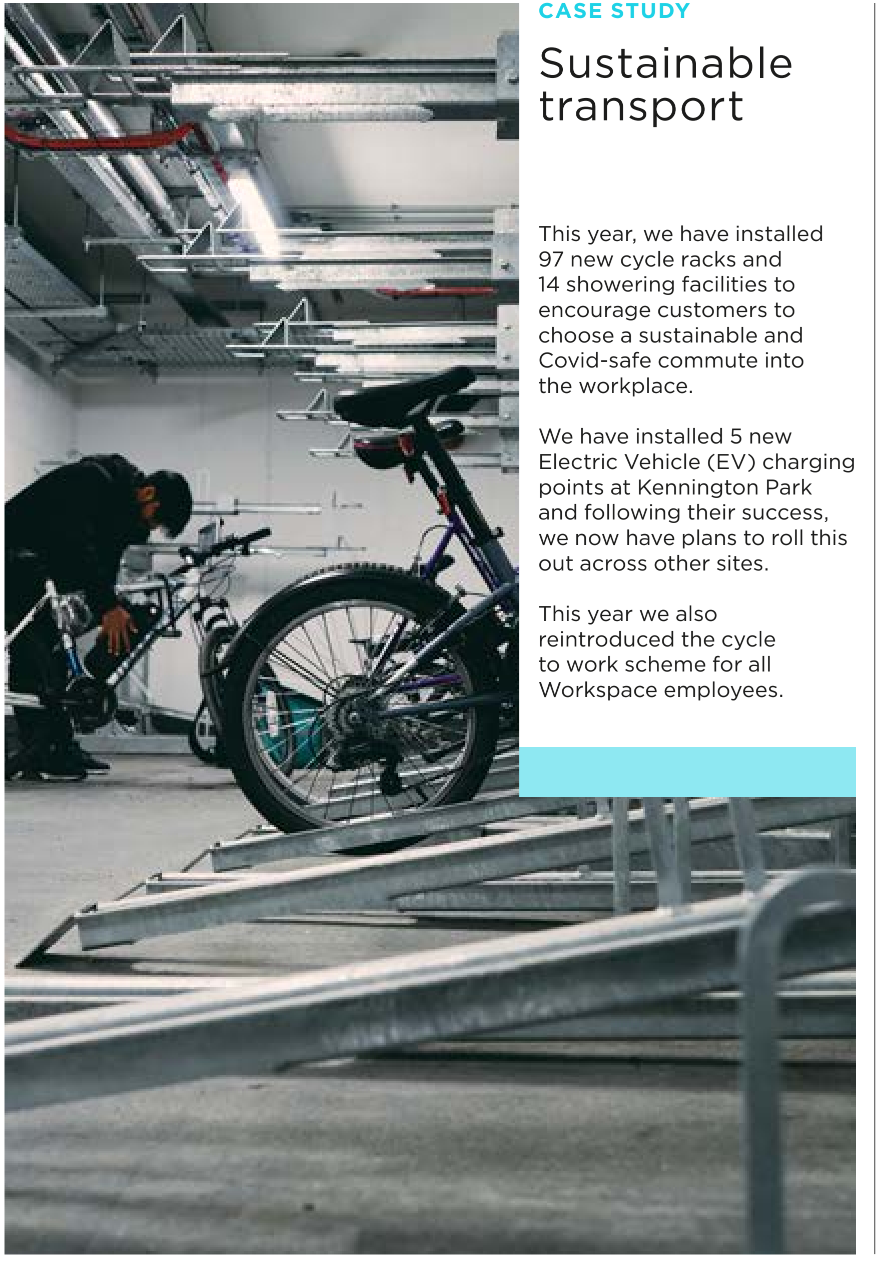
20/21 achievements
- Committed to becoming a net zero carbon business by 2030 and published our pathway to achieve that goal in line with our Science-Based Targets
- Reduced absolute Scope 1 & Scope 2 GHG emissions by 28% from our baseline year of 2012/13, ahead of our target reduction of 16%
- Installed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

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

MAINTAINING AN EMPOWERED, DIVERSE WORKFORCE CONNECTED TO THEIR COMMUNITIES

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

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



CASE STUDY

Sustainable transport

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

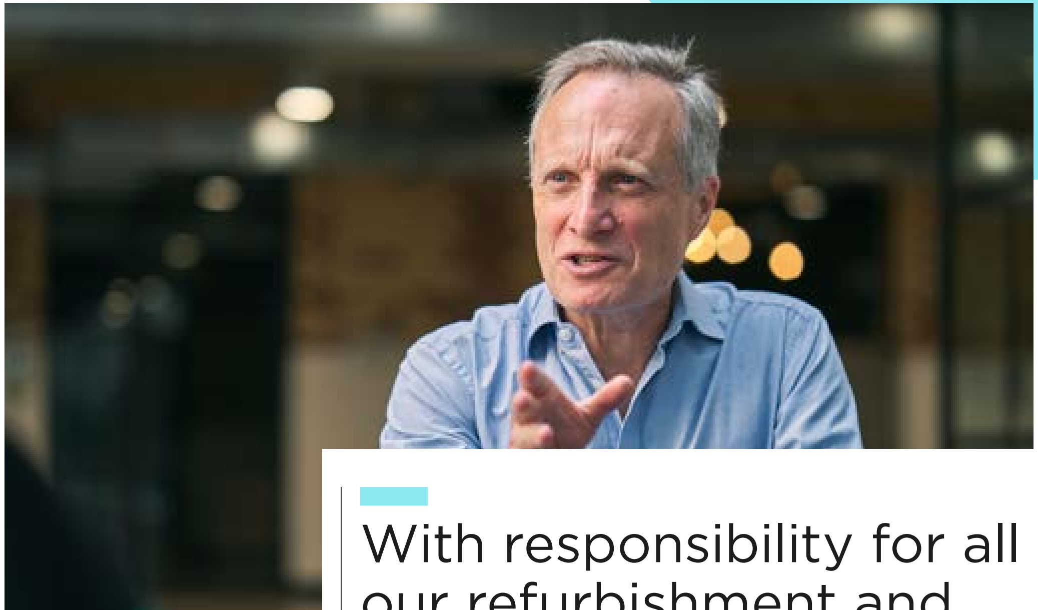
We have installed 5 new Electric Vehicle (EV) charging points at Kennington Park and following their success, we now have plans to roll this out across other sites.

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

OUR STRATEGIC PROGRESS CONTINUED

Q&A with the Executive Team

ANGUS BOAG
DEVELOPMENT DIRECTOR



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

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

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

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

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

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

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

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

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

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

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

Graham Clemett
CEO

DOING THE RIGHT THING

Overview

Approach

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

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

Leadership oversight

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

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

Graham Clemett
CEO

DOING THE RIGHT THING CONTINUED

OVERVIEW CONTINUED

Materiality

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

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

Our five key material issues are:

- Climate change
- Resource efficiency
- Human rights
- Stakeholder engagement
- Community engagement

ESG ratings and memberships:

ESG ratings:

A
and supplier engagement leader

Gold
EPRA Sustainability Best Practice Recommendations Award

78
Real Estate Assessment Score

81
Development Assessment Score

A
Public Disclosure Score

3.6
absolute rating out of 5

89%
relative percentile score

Foundation
Foundation Level Accreditation

Memberships:

DOING THE RIGHT THING CONTINUED

OVERVIEW CONTINUED

Doing the Right Thing framework

Key themes: | Areas of focus: | SDGs:

1. Climate change mitigation and resilience

See page 37

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

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

2. Looking after our people

See page 45

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

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

3. Inspiring the next generation and supporting our communities

See page 51

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

SDGs: 4 Quality education; 10 Reduced inequalities

DOING THE RIGHT THING CONTINUED

Climate change mitigation and resilience

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

Targeting net zero carbon by 2030

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

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

See page 40

DOING THE RIGHT THING CONTINUED

CLIMATE CHANGE MITIGATION AND RESILIENCE CONTINUED

Our carbon footprint

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

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

Net zero carbon pathway, see page 40

SCOPE 1

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

2,887

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

SCOPE 2

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

4,719

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

SCOPE 3

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

36,640

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

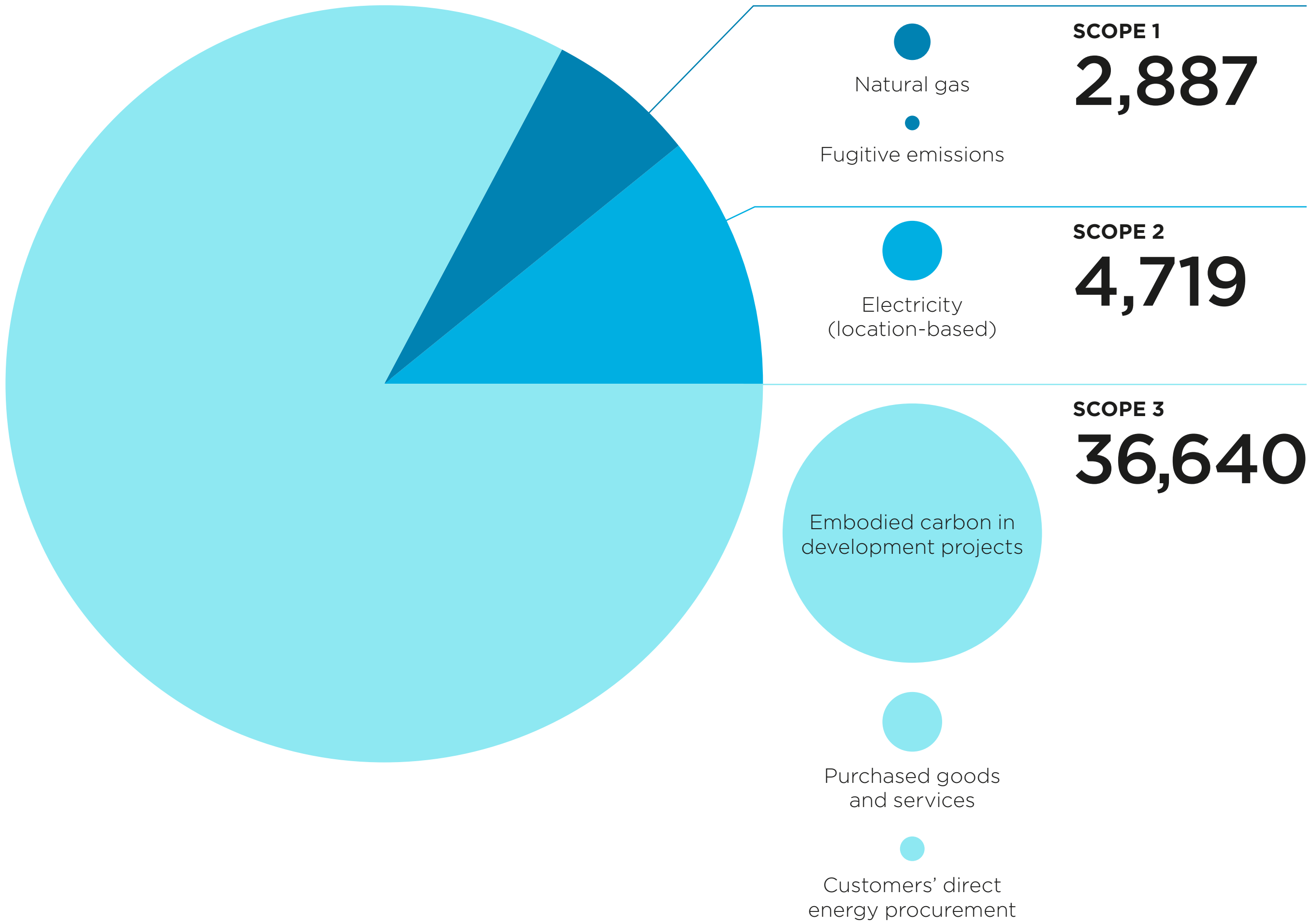
DOING THE RIGHT THING CONTINUED

CLIMATE CHANGE MITIGATION AND RESILIENCE CONTINUED

OUR CARBON FOOTPRINT CONTINUED

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

LOCATION-BASED SCOPE 1, 2 AND 3 GHG EMISSIONS



DOING THE RIGHT THING CONTINUED

CLIMATE CHANGE MITIGATION AND RESILIENCE CONTINUED

Net zero carbon pathway by 2030

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

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

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

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

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

OPERATIONAL CARBON (ENERGY, WATER AND WASTE)

SCIENCE-BASED TARGETS

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

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

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

EMBODIED CARBON

SCIENCE-BASED TARGETS

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

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

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

RENEWABLES PROCUREMENT

SCIENCE-BASED TARGETS

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

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

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

7 AFFORDABLE AND CLEAN ENERGY

DOING THE RIGHT THING CONTINUED

CLIMATE CHANGE MITIGATION AND RESILIENCE CONTINUED

NET ZERO CARBON PATHWAY CONTINUED

ON-SITE GENERATION

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

7 AFFORDABLE AND CLEAN ENERGY

OFFSETTING

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

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

THIRD-PARTY VERIFICATION

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

CASE STUDY

Solar PV performance

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

SOLAR PV GENERATION

157,953 kWh

+22%

Solar panels at Barley Mow

DOING THE RIGHT THING CONTINUED

CLIMATE CHANGE MITIGATION AND RESILIENCE CONTINUED

Green finance

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

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

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

Glossary

See page 241

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

Dave Benson
Chief Financial Officer

The five pillars of our Green Finance Framework

1. Use of proceeds

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

2. Projects evaluation and selection

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

3. Management of proceeds

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

4. Reporting

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

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

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

5. External review

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

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

(DNV)

DOING THE RIGHT THING
CONTINUED

CLIMATE CHANGE MITIGATION AND RESILIENCE CONTINUED

CASE STUDY

Ink Rooms in Clerkenwell

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

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

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

41%
reduction in carbon emissions

Ink Rooms

DOING THE RIGHT THING CONTINUED

CLIMATE CHANGE MITIGATION AND RESILIENCE CONTINUED

INK ROOMS CONTINUED

98%
waste diverted from landfill

100%
of timber sourced from sustainable forests

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

Kahroon Tanvir
Senior Project Manager

Features of Ink Rooms' sustainable design

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

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

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

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

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

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

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

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

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

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

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

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

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

DOING THE RIGHT THING CONTINUED

Looking after our people

Employees, customers and suppliers

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

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

Embedding ESG across Workspace

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

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

Listening to our employees

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

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

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

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

DOING THE RIGHT THING CONTINUED
LOOKING AFTER OUR PEOPLE CONTINUED

Q&A with the Executive Team

CLAIRE DRACUP
HEAD OF PEOPLE

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

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

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

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

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

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

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

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

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

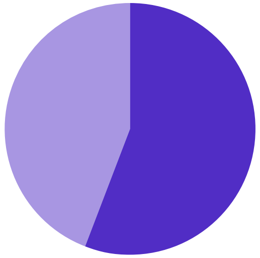
Both our new Head of HR and Office Manager are responsible for driving further enhancements to employee wellbeing and we are launching Health Shield as a new benefit offering a range of physical and mental health support.

DOING THE RIGHT THING CONTINUED
LOOKING AFTER OUR PEOPLE CONTINUED

Equity, diversity and inclusion ('EDI')

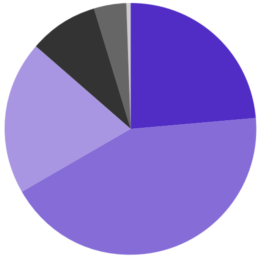
DIVERSITY
As at 31 March 2021

GENDER DIVERSITY OF ALL EMPLOYEES



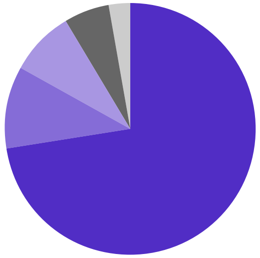
Female	125
Male	98

AGE DIVERSITY OF ALL EMPLOYEES



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

ETHNIC DIVERSITY OF ALL EMPLOYEES



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

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

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

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

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

Health and wellbeing

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

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

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

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

CASE STUDY

Unconscious bias training

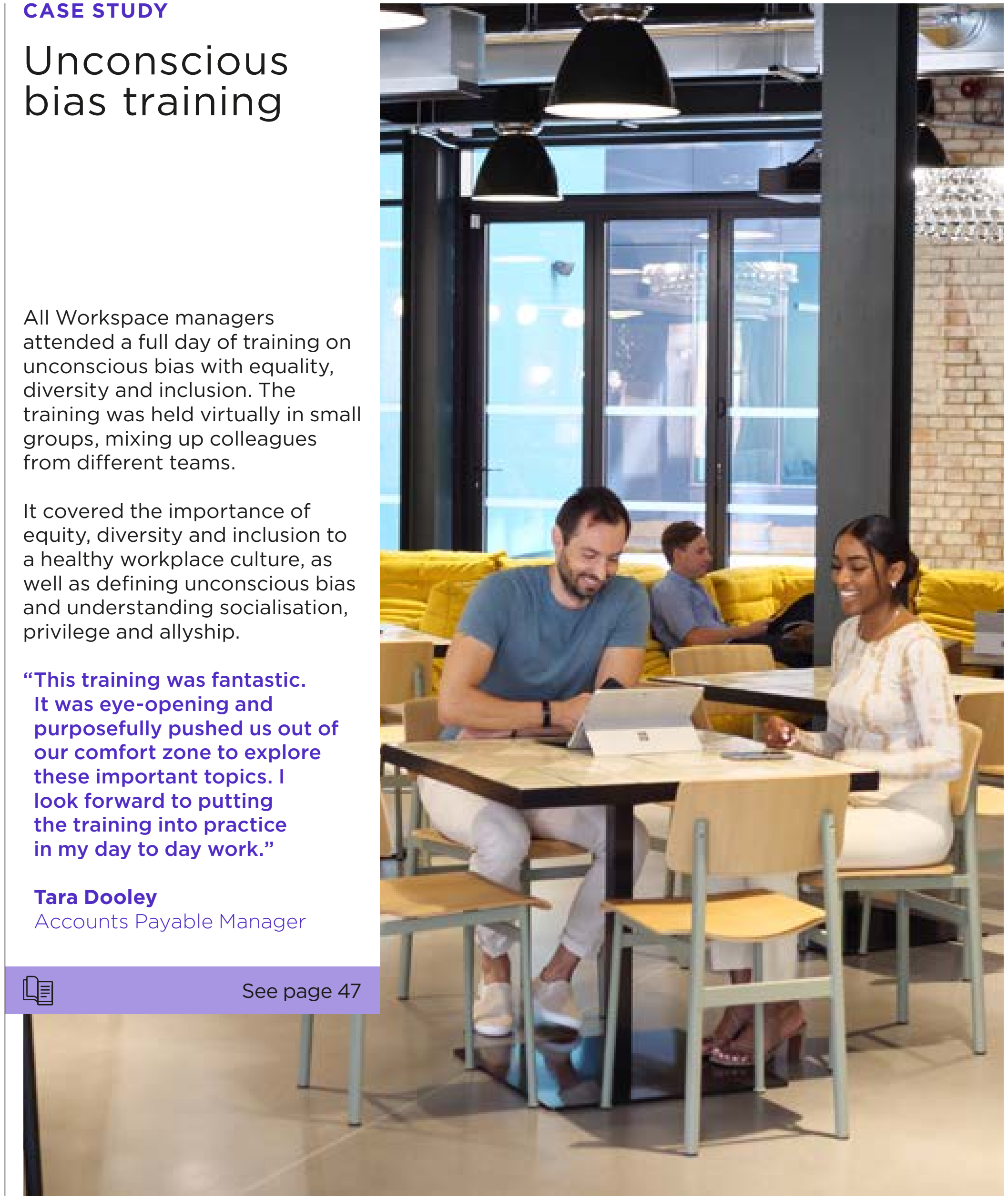
All Workspace managers attended a full day of training on unconscious bias with equality, diversity and inclusion. The training was held virtually in small groups, mixing up colleagues from different teams.

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

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

Tara Dooley
Accounts Payable Manager

See page 47



DOING THE RIGHT THING CONTINUED

LOOKING AFTER OUR PEOPLE CONTINUED

Employee benefits

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

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

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

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

ESG PENSION

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

DOING THE RIGHT THING
CONTINUED
LOOKING AFTER OUR PEOPLE
CONTINUED

Professional development and training

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

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

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


Suki Aweys at Workspace head office, Kennington Park

CASE STUDY

Suki Aweys, Advanced Professional Certificate in Construction Project Management

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

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

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

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

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

DOING THE RIGHT THING CONTINUED
LOOKING AFTER OUR PEOPLE CONTINUED

Customer support over the pandemic

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

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

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

Customer at The Leather Market

50%

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

Customer engagement on ESG

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

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

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

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

Supplier engagement and Living Wage

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

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

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

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

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

DOING THE RIGHT THING CONTINUED

Inspiring the next generation and supporting our communities

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

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

"Employment-led regeneration is at the heart of the business. I want our activity to have a real impact on the local community."

Graham Clemett
Chief Executive Officer

DOING THE RIGHT THING CONTINUED

INSPIRING THE NEXT GENERATION AND SUPPORTING OUR COMMUNITIES CONTINUED

EMPLOYEE VOLUNTEERING

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

£50,000

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

1,000

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

£35,000

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

28

28 laptops and iPhones donated to London-based charity XLP

23

Hosted 23 food banks for the Trussell Trust across our centres

38

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

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

Highlights for the year

Social Mobility Pledge

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

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

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

Charity cycle for NHS heroes

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

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

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

Sam Palmes
Head of Building

£50k
raised for NHS frontline staff

Food bank collections

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

23
collections at 23 of our centres

Virtual work experience

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

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

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

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

Liliana Cardoso
Assistant Centre Manager

DOING THE RIGHT THING CONTINUED

INSPIRING THE NEXT GENERATION AND SUPPORTING OUR COMMUNITIES CONTINUED

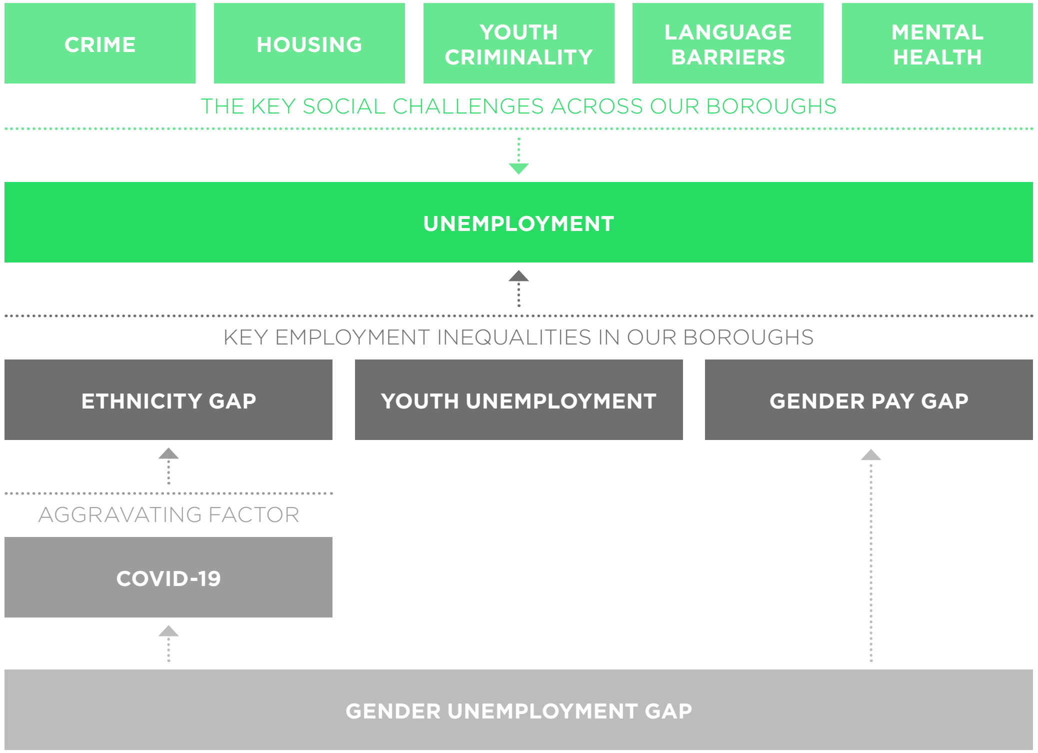
Social impact project review

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

Social challenges in Workspace boroughs

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

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



DOING THE RIGHT THING CONTINUED

INSPIRING THE NEXT GENERATION AND SUPPORTING OUR COMMUNITIES CONTINUED

SOCIAL IMPACT PROJECT REVIEW CONTINUED

Internal feedback

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

Ambition to scale impact but without losing depth

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

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

Strong support for utilising skills base of employees and customers

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

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

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

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

Measuring impact is critical for all stakeholders

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

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

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

Strong agreement that impact should be linked to core business

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

DOING THE RIGHT THING CONTINUED

INSPIRING THE NEXT GENERATION AND SUPPORTING OUR COMMUNITIES CONTINUED

Priorities ahead

Scaling up our InspiresMe programme

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

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

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

New charity partner

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

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

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

OUR KEY PERFORMANCE INDICATORS

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

FINANCIAL PERFORMANCE

1. NET RENTAL INCOME

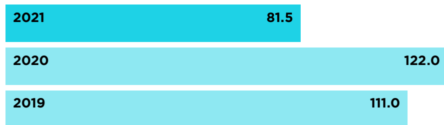
DEFINITION
Net rental income is the rental income receivable after payment of direct property expenses, such as service charge costs, and other direct unrecoverable property expenses.

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

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

NET RENTAL INCOME
-33%

£81.5m



TIME PERIOD MEASURED
Monthly

2. TRADING PROFIT AFTER INTEREST

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

Further details in note 8 to the financial statements.

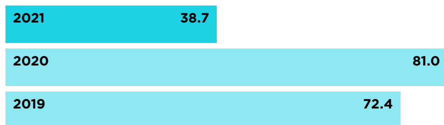
WHY THIS IS IMPORTANT TO WORKSPACE
Trading profit after interest is a key measure for Workspace and determines dividend growth. We report and review this figure at Board level on a monthly basis compared to previous years and to budget.

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

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

TRADING PROFIT AFTER INTEREST
-52%

£38.7m



TIME PERIOD MEASURED
Monthly

OUR KEY PERFORMANCE INDICATORS CONTINUED

FINANCIAL PERFORMANCE CONTINUED

3. EPRA NTA PER SHARE

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

Further details in note 9 to the financial statements.

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

MOVEMENT IN 2020/21
Our EPRA NTA at 31 March 2021 was £9.38, down 13.8% from the prior year.

EPRA NTA PER SHARE
-13.8%

£9.38

TIME PERIOD MEASURED
Six monthly

4. DIVIDEND PER SHARE

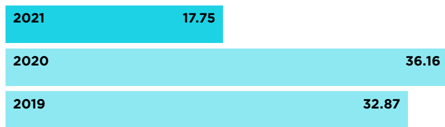
DEFINITION
The dividend payment per share in issue.

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

MOVEMENT IN 2020/21
We deferred the decision on paying an interim dividend at the half year due to market uncertainty. Given the robust full year trading profit performance and our committed policy to pay dividends out of earnings, the Board has recommended a final dividend of 17.75p per share.

DIVIDEND PER SHARE
-51%

17.75p



TIME PERIOD MEASURED
Six monthly

OUR KEY PERFORMANCE INDICATORS CONTINUED

FINANCIAL PERFORMANCE CONTINUED

5. LIKE-FOR-LIKE RENT ROLL GROWTH

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

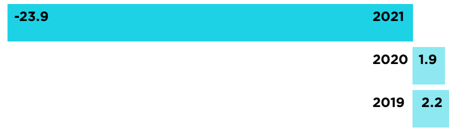
Rent roll is the current annualised net rents receivable for occupied units at the date of reporting.

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

MOVEMENT IN 2020/21
Like-for-like rent roll has fallen 23.9% this year due to occupancy declining as some customers vacated their leases as a result of the pandemic. The decrease in like-for-like rent roll was also driven by a 12.9% fall in average rent per sq. ft.

LIKE-FOR-LIKE RENT ROLL GROWTH
-23.9%

-23.9%



TIME PERIOD MEASURED
Weekly

6. LIKE-FOR-LIKE OCCUPANCY

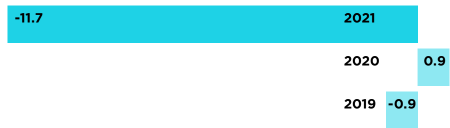
DEFINITION
Like-for-like occupancy is the area of like-for-like space let divided by the like-for-like net lettable area.

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

MOVEMENT IN 2020/21
We have seen a significant decline in like-for-like occupancy this year as a result of the pandemic. It fell to 81.6% in the year but we have seen an improving trend in customer activity with occupancy stabilising in the fourth quarter.

LIKE-FOR-LIKE OCCUPANCY
-11.7%

81.6%



TIME PERIOD MEASURED
Weekly

7. PROPERTY VALUATION

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

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

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

MOVEMENT IN 2020/21
There was an underlying decrease of 10% in the valuation of our property portfolio in the year. This was driven by decreases in ERV per sq. ft. reflecting price reductions on lettings and renewals in the year.

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

PROPERTY VALUATION
-10%[1]

£2,324m

TIME PERIOD MEASURED
Six monthly

1. Underlying

OUR KEY PERFORMANCE INDICATORS CONTINUED

FINANCIAL PERFORMANCE CONTINUED

8. TOTAL PROPERTY RETURN

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

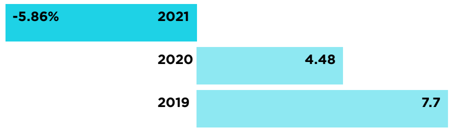
See Glossary of Terms on page 241.

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

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

TOTAL PROPERTY RETURN

-5.86%



TIME PERIOD MEASURED
Annually

9. TOTAL SHAREHOLDER RETURN

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

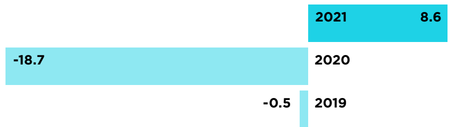
See Glossary of Terms on page 241.

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

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

TOTAL SHAREHOLDER RETURN

8.6%



TIME PERIOD MEASURED
Annually

OUR KEY PERFORMANCE INDICATORS CONTINUED

NON-FINANCIAL PERFORMANCE

1. CUSTOMER ENQUIRIES

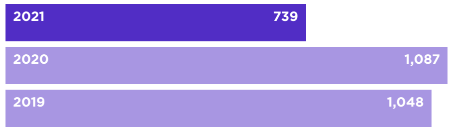
DEFINITION
Customer enquiries represent the number of enquiries we receive for our space. Enquiries come through our website, via phone, from walk-ins or existing customers looking to expand, contract or move locations.

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

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

CUSTOMER ENQUIRIES
Monthly average

739



TIME PERIOD MEASURED
Daily

2. VIEWINGS

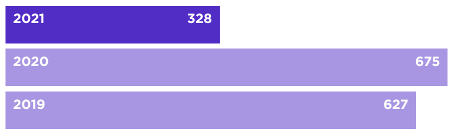
DEFINITION
This means the number of viewings of individual units by new or existing customers looking for new or additional space.

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

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

VIEWINGS
Monthly average

328



TIME PERIOD MEASURED
Daily

3. OFFER LETTERS

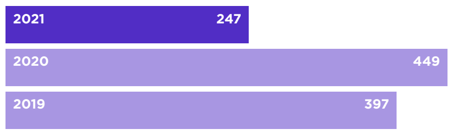
DEFINITION
Offer letters are sent to prospects once they have viewed one or multiple Workspace units and requested an offer containing pricing information and lease terms.

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

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

OFFER LETTERS
Monthly average

247



TIME PERIOD MEASURED
Daily

OUR KEY PERFORMANCE INDICATORS CONTINUED

NON-FINANCIAL PERFORMANCE CONTINUED

4. NEW LETTINGS

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

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

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

LETTINGS
Monthly average

96

TIME PERIOD MEASURED
Weekly

5. RENEWALS

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

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

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

RENEWALS
Monthly average

13

TIME PERIOD MEASURED
Monthly

6. EMPLOYEE VOLUNTEERING DAYS

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

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

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

EMPLOYEE VOLUNTEERING DAYS

10

TIME PERIOD MEASURED
Annually

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

Response to Covid-19

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

EMPLOYEES

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

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

CUSTOMERS

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

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

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

REGULATION

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

PROPERTIES

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

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

FINANCIAL POSITION

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

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

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Climate change risk

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

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

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

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

Doing the Right Thing

See pages 34 to 56

Ongoing impact of Brexit

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

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

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

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

Changes to principal risks

New risks

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

Customer payment default (risk 5)

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

Third party relationships (risk 8)

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

Changing risks

Reputation

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

Business interruption

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

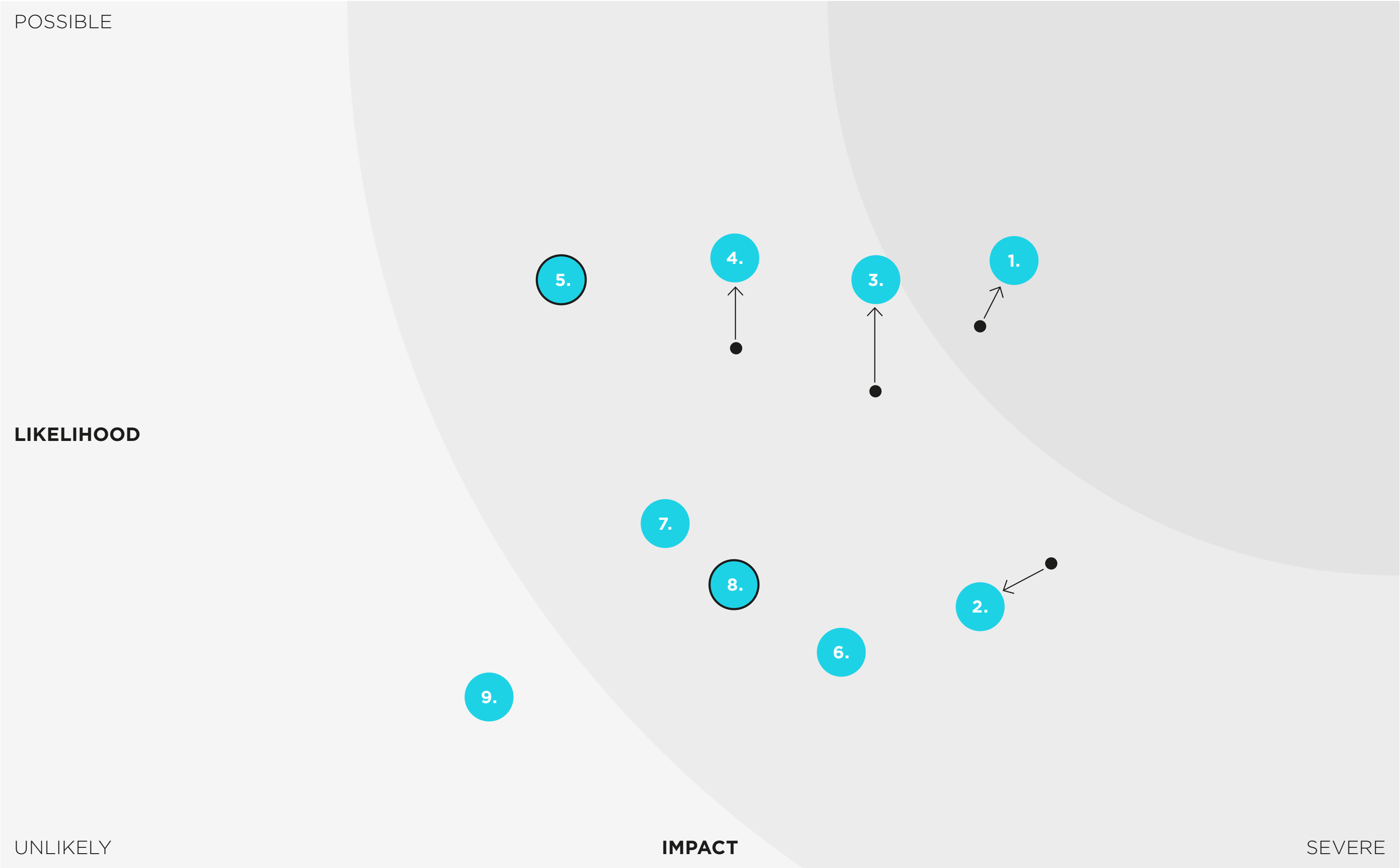
PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

CHANGES TO PRINCIPAL RISKS CONTINUED

PRINCIPAL RISKS

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

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



PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

1. Customer demand

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

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

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

IMPACT
Severe

PROBABILITY (POST-MITIGATION)
Possible

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

RISK APPETITE
Medium

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

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

2. Financing

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

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

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

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

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

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

IMPACT
Severe

PROBABILITY (POST-MITIGATION)
Unlikely

CHANGE FROM LAST YEAR
Decrease following issue of green bond

RISK APPETITE
Low

LINK TO STRATEGY
Operational excellence
Doing the Right Thing

LINK TO KPIS
Financial: 2, 4, 9

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

3. Valuation

PRINCIPAL RISK

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

RISK IMPACT

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

MITIGATION

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

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

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

IMPACT

High

PROBABILITY (POST-MITIGATION)

Possible

CHANGE FROM LAST YEAR

Increase due to impact of Covid-19 on the economy

RISK APPETITE

Medium

LINK TO STRATEGY

Customer-led growth
Operational excellence
Doing the Right Thing

LINK TO KPIS

Financial: 3, 5, 7, 8, 9

4. Acquisition pricing

PRINCIPAL RISK

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

RISK IMPACT

- Negative impact on valuation
- Impact on overall shareholder return

MITIGATION

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

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

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

IMPACT

High

PROBABILITY (POST-MITIGATION)

Possible

CHANGE FROM LAST YEAR

No change

RISK APPETITE

Medium

LINK TO STRATEGY

Customer-led growth
Operational excellence

LINK TO KPIS

Financial: 7, 8, 9

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

5. Customer payment default

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

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

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

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

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

IMPACT
High

PROBABILITY (POST-MITIGATION)
Possible

CHANGE FROM LAST YEAR
New risk

RISK APPETITE
Low

LINK TO STRATEGY
Operational excellence

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

6. Cyber security

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

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

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

IMPACT
High

PROBABILITY (POST-MITIGATION)
Unlikely

CHANGE FROM LAST YEAR
No change

RISK APPETITE
Low

LINK TO STRATEGY
Operational excellence

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

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

7. Resourcing

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

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

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

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

IMPACT
High

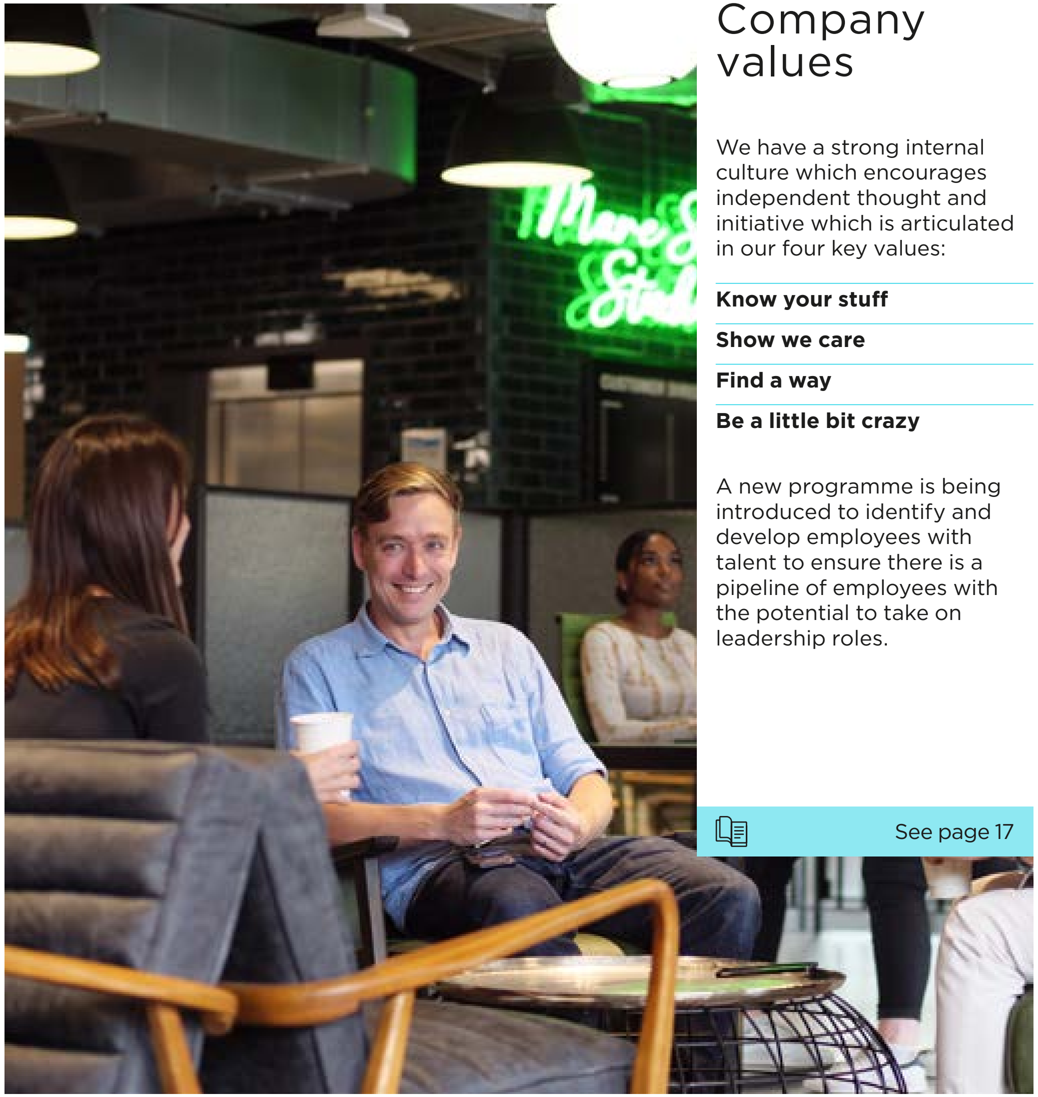
PROBABILITY (POST-MITIGATION)
Low

CHANGE FROM LAST YEAR
No change

RISK APPETITE
Medium

LINK TO STRATEGY
Operational excellence
Doing the Right Thing

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



Company values

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

Know your stuff
Show we care
Find a way
Be a little bit crazy

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

See page 17

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

8. Third party relationships

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

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

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

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

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

IMPACT
High

PROBABILITY (POST-MITIGATION)
Low

CHANGE FROM LAST YEAR
New risk

RISK APPETITE
Low

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

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

9. Regulatory

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

RISK IMPACT
- Increased costs
- Reputational damage

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

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

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

IMPACT
Medium

PROBABILITY (POST-MITIGATION)
Low

CHANGE FROM LAST YEAR
No change

RISK APPETITE
Low

LINK TO STRATEGY
Operational excellence
Doing the Right Thing

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

BUSINESS REVIEW

AT A GLANCE

£103.9m
Total rent roll

£38.7m
Trading profit after interest

£2.3bn
Property valuation

PROPERTIES FEATURED IN THE BUSINESS REVIEW:

Lock Studios, Bow
Completed mixed-use redevelopment

Pall Mall Deposit, Ladbroke Grove
Refurbishment underway

Mirror Works, Stratford
Mixed-use redevelopment underway

Lock Studios, Bow

BUSINESS REVIEW CONTINUED

CUSTOMER ACTIVITY

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

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

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

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

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

RENT ROLL

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

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

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

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

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

Like-for-like Portfolio

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

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

BUSINESS REVIEW CONTINUED

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

* Absolute change

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

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

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

Completed Projects

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

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

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

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

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

Projects Underway – Refurbishments

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

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

BUSINESS REVIEW CONTINUED

Projects Underway – Redevelopments

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

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

Projects at Design Stage

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

PROFIT PERFORMANCE

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

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

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

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

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

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

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

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

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

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

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

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

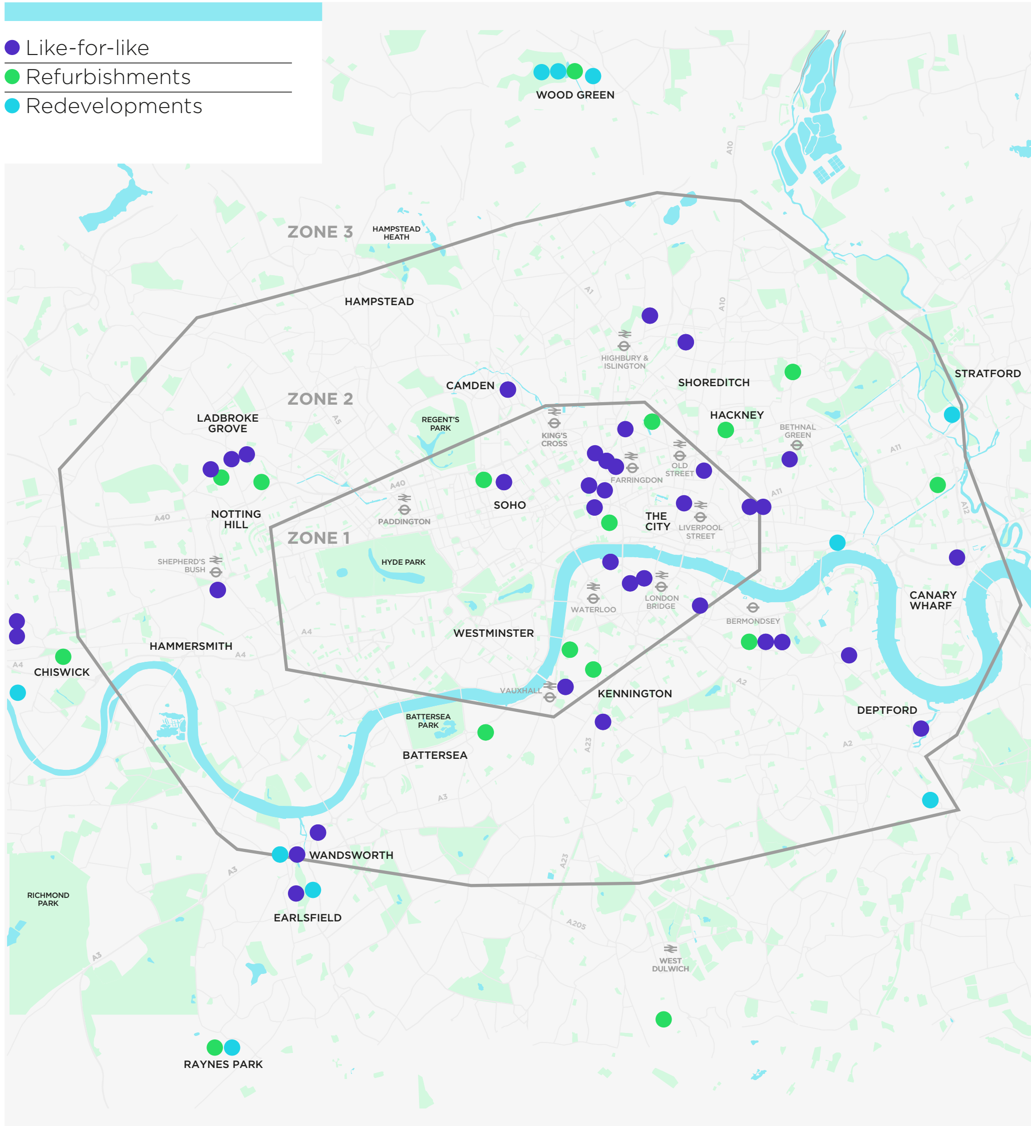
£m	31 Mar 2021	31 Mar 2020
Trading profit after interest	38.7	81.0
Change in fair value of investment properties	(257.7)	(7.5)
Loss on sale of investment properties	(0.1)	(0.8)
Exceptional finance costs	(16.4)	–
Other items	(0.2)	(0.2)
(Loss)/profit before tax	(235.7)	72.5
Adjusted underlying earnings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

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

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

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

BUSINESS REVIEW CONTINUED



DIVIDEND

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

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

PROPERTY VALUATION

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

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

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

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

Like-for-like Properties

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

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

BUSINESS REVIEW CONTINUED

Completed Projects

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

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

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

Current Refurbishments and Redevelopments

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

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

REFURBISHMENT ACTIVITY

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

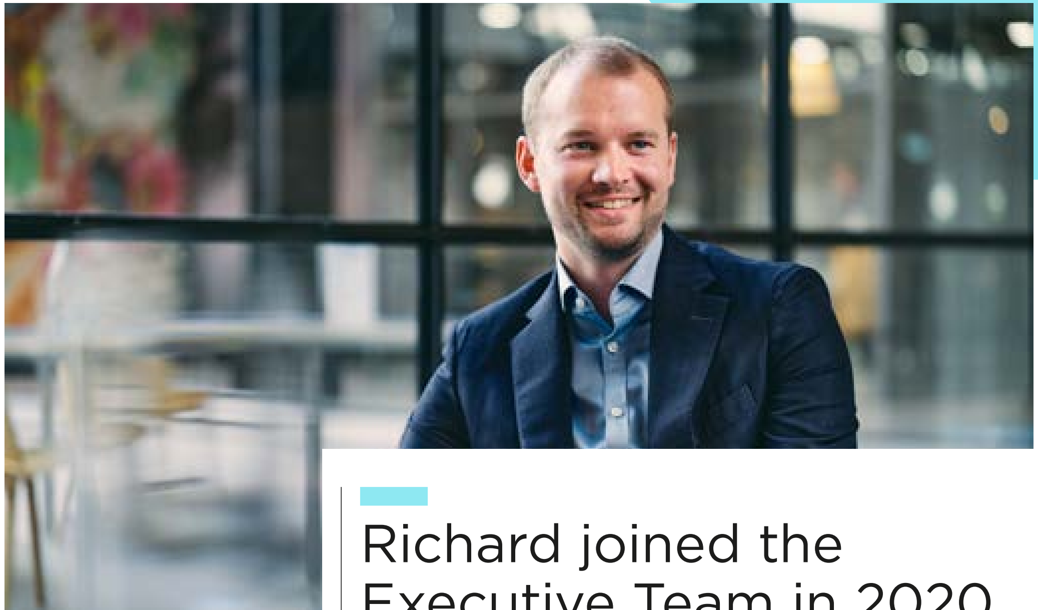
In May 2021, we received planning permission for the re-designation of land use for a major scheme at Kennington Park. The existing 91,000 sq. ft. of low-grade space situated to the south and east of the Kennington Park campus will be replaced with 200,000 sq. ft. of high specification office space.

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

BUSINESS REVIEW CONTINUED

Q&A with the Executive Team

RICHARD SWAYNE
INVESTMENT DIRECTOR



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

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

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

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

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

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

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

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

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

BUSINESS REVIEW CONTINUED

REDEVELOPMENT ACTIVITY

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

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

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

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

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

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

ACQUISITIONS AND DISPOSALS

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

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

CASH FLOW

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

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

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

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

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

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

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

BUSINESS REVIEW CONTINUED

24%

Loan to value as at 31 March 2021

FINANCING

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

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

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

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

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

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

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

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

NET ASSETS

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

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

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

BUSINESS REVIEW CONTINUED

OUTLOOK

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

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

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

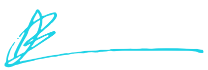
KEY PROPERTY STATISTICS

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

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

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

Graham Clemett
Chief Executive Officer



Dave Benson
Chief Financial Officer

COMPLIANCE STATEMENTS

Going concern

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

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

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

Viability statement

Assessment of prospects

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

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

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

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

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

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

Assessment of time period

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

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

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

Assessment of viability

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

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

COMPLIANCE STATEMENTS CONTINUED

VIABILITY STATEMENT CONTINUED

Risk sensitivity analyses

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

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

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

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

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

Conclusion

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

Section 172(1) statement

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

COMPLIANCE STATEMENTS CONTINUED

Non-financial information statement

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

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

COMPLIANCE STATEMENTS CONTINUED

NON-FINANCIAL INFORMATION STATEMENT CONTINUED

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

COMPLIANCE STATEMENTS CONTINUED

NON-FINANCIAL INFORMATION STATEMENT CONTINUED

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

COMPLIANCE STATEMENTS
CONTINUED

TCFD

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

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

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

Governance

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

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

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

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

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

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

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

COMPLIANCE STATEMENTS CONTINUED

TCFD CONTINUED

Governance continued

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

Doing the Right Thing strategy

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

Assessing climate related risks and opportunities

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

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

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

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

COMPLIANCE STATEMENTS CONTINUED

TCFD CONTINUED

Strategy

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

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

Short term

(0-5 YEARS)

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

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

See pages 91 to 94

Medium term

(5-15 YEARS)

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

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

See pages 91 to 94

Long term

(15+YEARS)

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

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

See pages 91 to 94

COMPLIANCE STATEMENTS CONTINUED

TCFD CONTINUED

Strategy continued

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

Business and Strategy

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

Financial Planning

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

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

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

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

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

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

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED

Risk management

IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

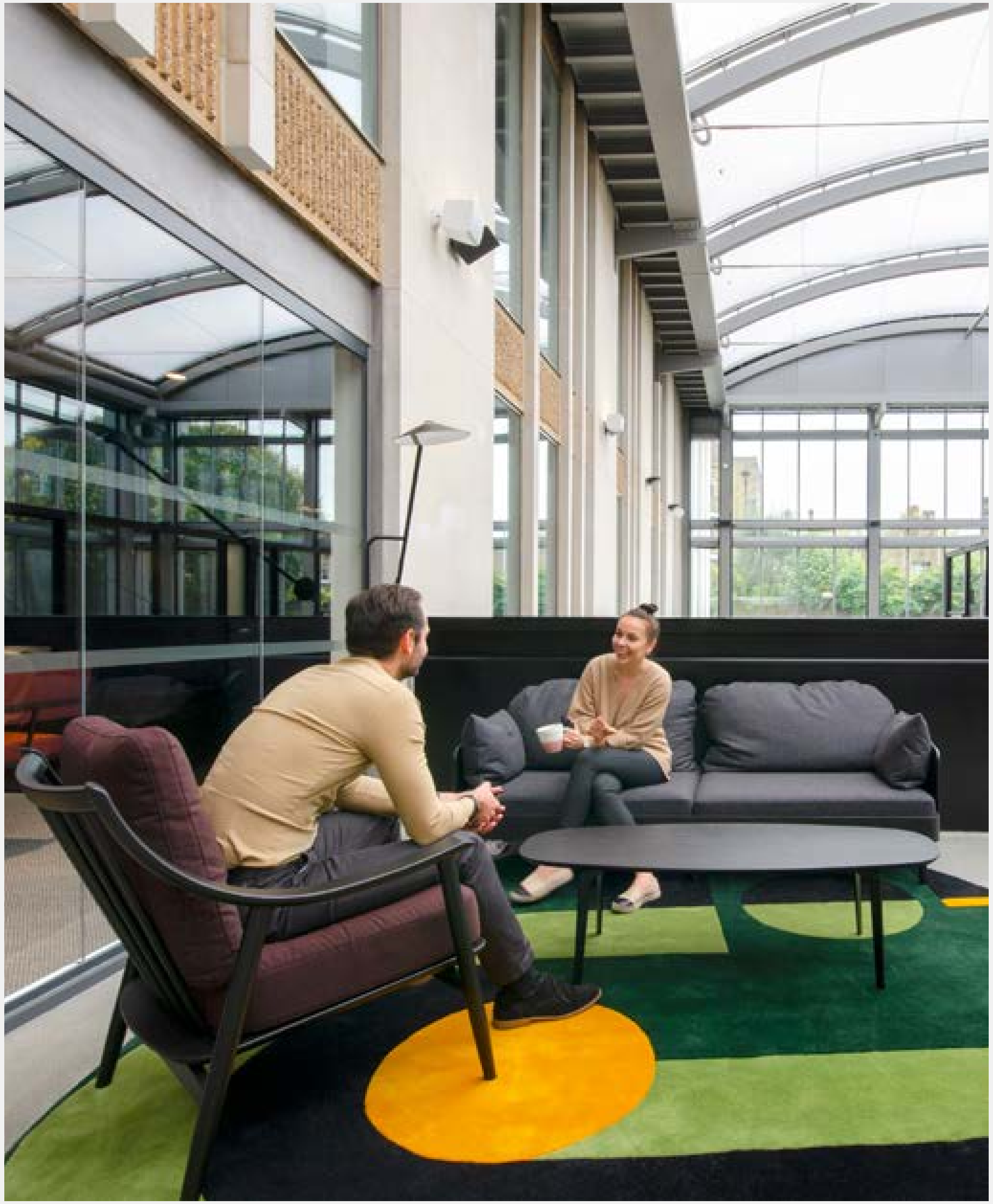
Risk management continues to be an integral part of all our activities. Risks and opportunities are considered in every business decision we make. It is embedded in our culture to consider potential risks of any new business decision. We focus on key risks which could impact on the achievement of our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

RISK MANAGEMENT FRAMEWORK

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

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

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



COMPLIANCE STATEMENTS CONTINUED

TCFD CONTINUED

Risk management continued

IDENTIFYING AND ASSESSING RISKS

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

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

- <20%: unlikely,
- 21-49%: possible,
- 50-79%: likely,
- >80%: almost certain.

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

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

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED
Risk management continued

IDENTIFYING AND ASSESSING RISKS CONTINUED

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

COMPLIANCE STATEMENTS CONTINUED

TCFD CONTINUED

Risk management continued

IDENTIFYING AND ASSESSING RISKS CONTINUED

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

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

COMPLIANCE STATEMENTS CONTINUED

TCFD CONTINUED

Risk management continued

IDENTIFYING AND ASSESSING RISKS CONTINUED

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

COMPLIANCE STATEMENTS CONTINUED

TCFD CONTINUED

Risk management continued

PRINCIPAL BUSINESS (STRATEGIC) RISKS

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

OPERATIONAL RISKS

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

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED

Metrics and Targets

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

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

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

OUR MAIN TARGETS TO REDUCE EMISSIONS ARE:

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

COMPLIANCE STATEMENTS CONTINUED

GHG/SECR emissions

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

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

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

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

COMPLIANCE STATEMENTS CONTINUED

GHG/SECR EMISSIONS CONTINUED

METHODOLOGIES

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

Performance

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

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

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

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

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

Energy Efficiency Action Taken during 2020/21:

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

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