Workspace Group PLC
Annual Report and Accounts 2022

Home to London's Brightest Businesses

WORKSPACE®

INVESTMENT PROPOSITION

Workspace is in an exciting growth market as our flexible offer is increasingly in demand in the post-Covid era. We believe we have a compelling investment case that will deliver attractive returns to shareholders over the long term.

1. **LEADERSHIP IN LONDON'S FLEXIBLE OFFICE MARKET**
We have a long heritage and significant scale, with more than 3,000 customers across 57 buildings in London.

2. **SIGNIFICANT GROWTH OPPORTUNITY**
Our flexible offer is increasingly relevant to a wider range of businesses and locations in and around London. We deliver organic growth through our extensive project pipeline and take advantage of acquisition opportunities that will deliver superior returns.

3. **A SUSTAINABLE APPROACH**
Our model is to repurpose distinctive buildings, revitalise local areas and have a positive environmental and social impact in the areas we operate.

4. **STRONG FINANCIAL POSITION**
With a range of available options to refinance the balance sheet, we are well positioned to continue to deliver a unique combination of income and capital growth.

5. **AN EXPERIENCED TEAM**
We have the right team to deliver our ambitious growth plans, with recent new hires adding to the wealth of existing experience and skills within the business.

STRATEGY
We drive customer-led growth and deliver operational excellence, whilst always being sustainable.

Strategy, Page 32

BUSINESS MODEL
Our expertise in urban regeneration in London, active asset management and customer experience drives capital appreciation and rental growth.

Business Model, Page 14

BUSINESS REVIEW
We have seen like-for-like occupancy recover to pre-Covid levels, capturing strong customer demand.

Business Review, Page 67

INSIDE THIS REPORT

Welcome

to our Annual Report and Accounts 2022

ABOUT THIS REPORT

This report has been produced in landscape format to optimise the reading experience online.

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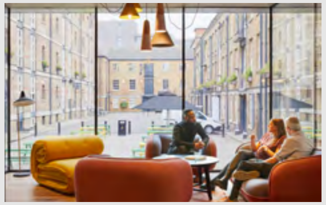
Strategic report

"We have a deep understanding of the flexible market and what customers want."



Our governance

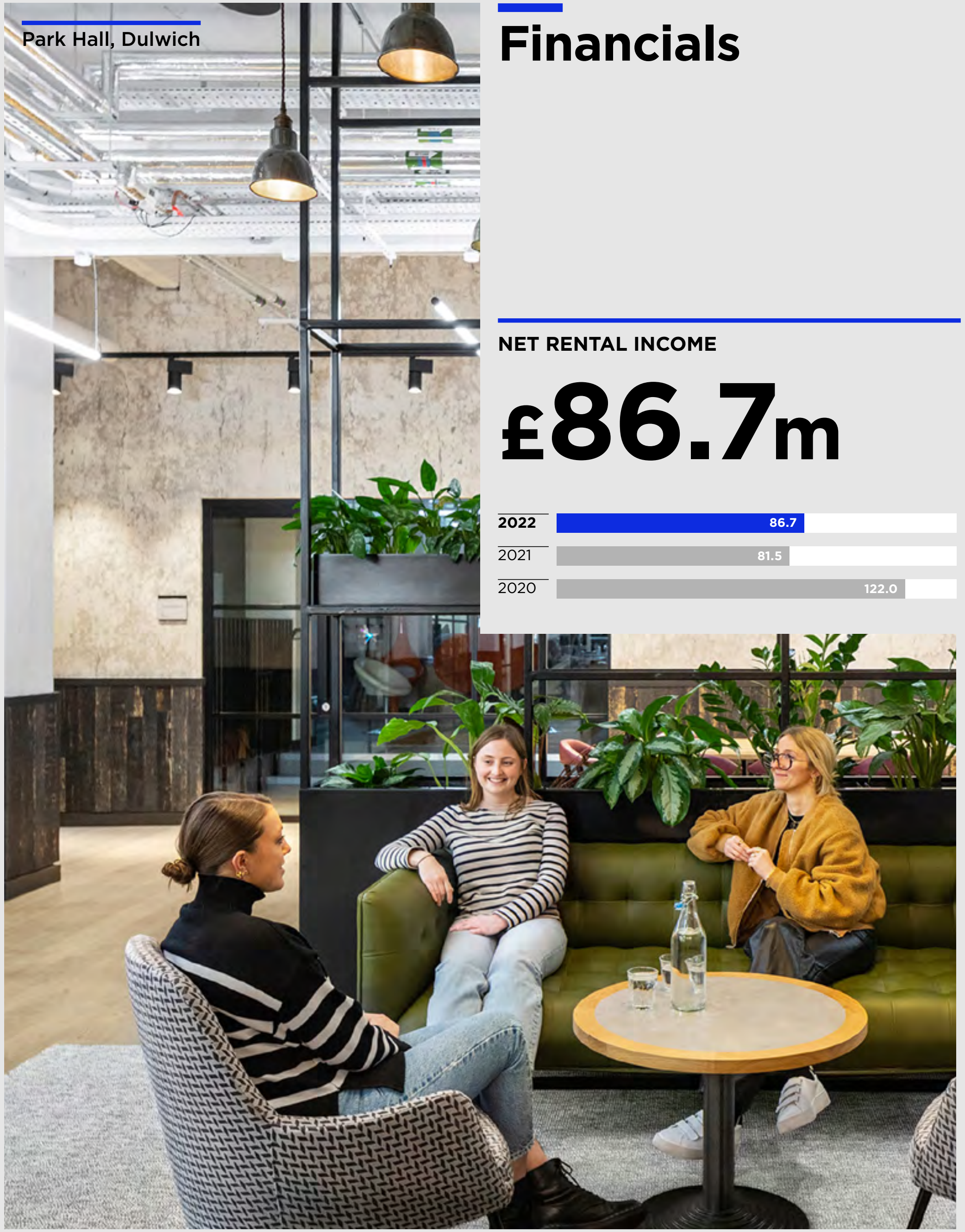
Financial statements

ADDITIONAL INFORMATION

HIGHLIGHTS

It has been a positive year for Workspace, with our focus on recovery following the pandemic.

The continued demand we have seen from SMEs for our flexible offer has translated into higher occupancy, higher utilisation of our business centres and improved pricing. We have ended the year in a strong position with positive momentum across all key indicators.


Park Hall, Dulwich

Financials

TRADING PROFIT AFTER INTEREST[1]

£46.9m

2022	46.9
2021	38.7
2020	81.0

NET RENTAL INCOME

£86.7m

2022	86.7
2021	81.5
2020	122.0

PROPERTY VALUATION

£2.4bn

2022	2,402
2021	2,324
2020	2,574

EPRA NTA PER SHARE[2]

£9.88

2022	9.88
2021	9.38
2020	10.88

DIVIDEND PER SHARE

21.5p

2022	21.5
2021	17.75
2020	36.16

1. Equivalent IFRS measure is profit before tax- 2022: £124.0m, 2021: £(235.7)m, 2020: £72.5m.
2. Equivalent IFRS measures are basic net assets per share- 2022: £9.94, 2021: £9.50, 2020: £11.07 and diluted net assets per share- 2022: £9.89, 2021: £9.44, 2020: £10.99.

HIGHLIGHTS CONTINUED

Operational

Brickfields, Hoxton

AVERAGE ENQUIRIES PER MONTH

917

2022	917
2021	739
2020	1,087

AVERAGE LETTINGS PER MONTH

127

2022	127
2021	96
2020	121

LIKE-FOR-LIKE OCCUPANCY

89.6%

2022	89.6
2021	81.6
2020	93.1

LIKE-FOR-LIKE RENT ROLL GROWTH

+8.7%

2022	8.7
2021	-23.9
2020	1.9

AVERAGE VIEWINGS PER MONTH

598

2022	598
2021	328
2020	675

Sustainability

NET ZERO CARBON BY

2030

GREEN FINANCING

£500m

RENEWABLE ELECTRICITY SOURCED

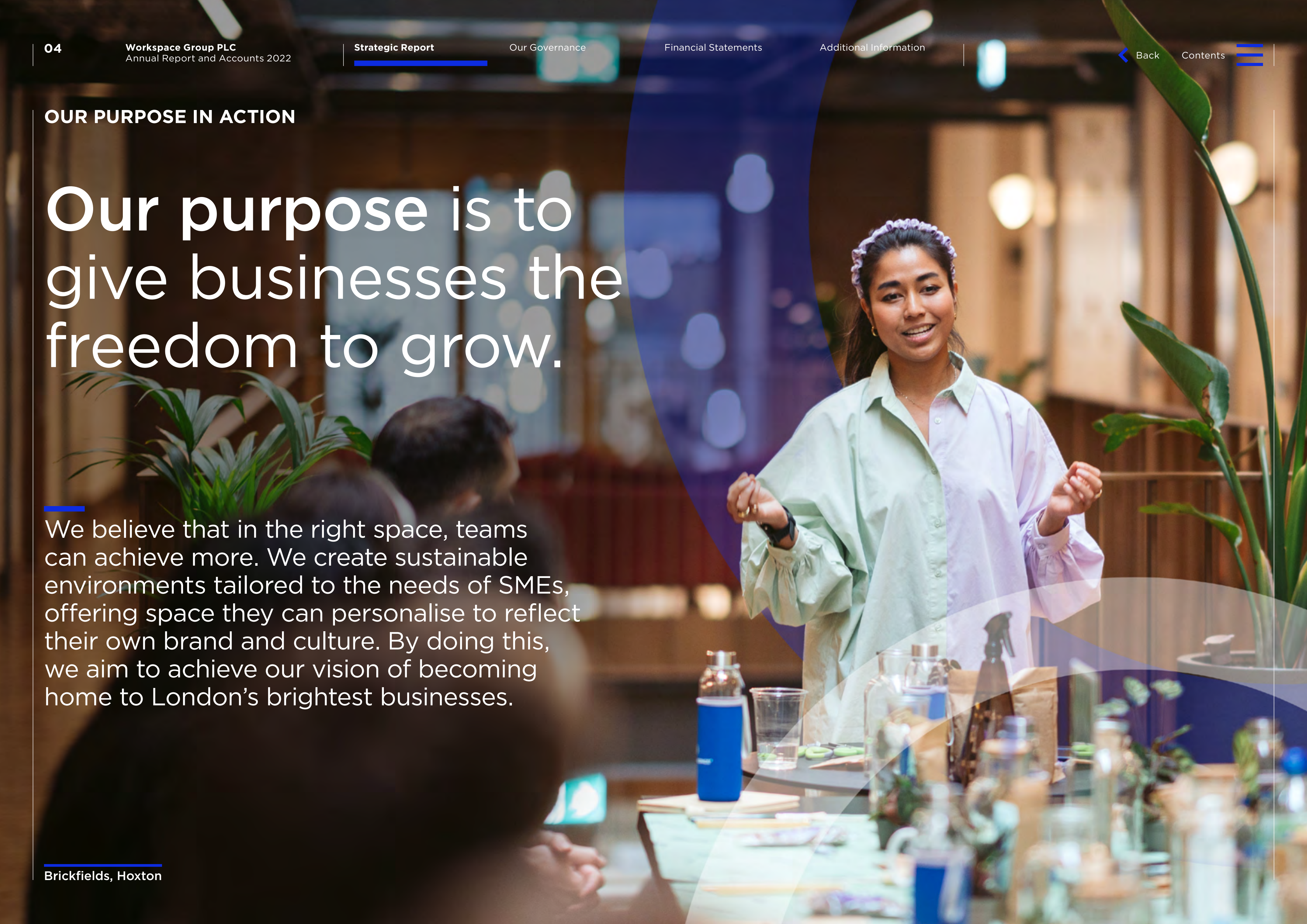
100%

SCOPE 1 AND 2 EMISSIONS REDUCTION SINCE 2019/20

20%

DONATED TO SINGLE HOMELESS PROJECT

£100k



OUR PURPOSE IN ACTION

Our purpose is to give businesses the freedom to grow.

We believe that in the right space, teams can achieve more. We create sustainable environments tailored to the needs of SMEs, offering space they can personalise to reflect their own brand and culture. By doing this, we aim to achieve our vision of becoming home to London’s brightest businesses.

Brickfields, Hoxton

OUR PURPOSE IN ACTION CONTINUED

The space to grow **sustainably**

77%
less embodied carbon at Leroy House vs. a typical new build

70K sq.ft.
added to our portfolio through projects completed during the year

Mare Street Studios, Hackney

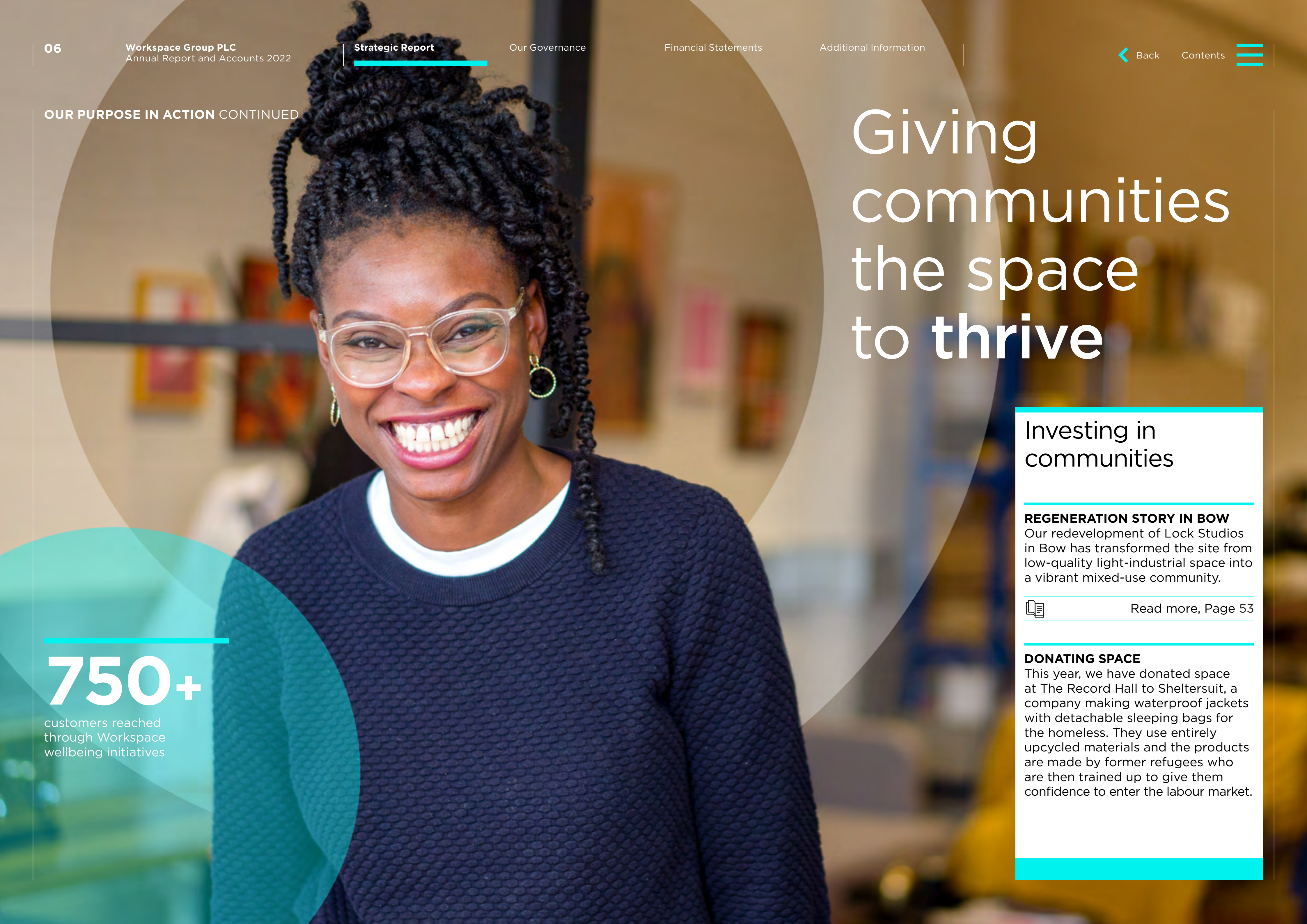
Repurposing iconic buildings

MARE STREET STUDIOS
Fully refurbished to create a BREEAM Excellent business centre with an EPC ‘B’ rating and a 20% reduction in carbon emissions.
By refurbishing the site, the carbon impact is significantly less than a traditional new build. The property includes 144 cycle bays and solar panels on the roof.

PALL MALL DEPOSIT
A former furniture depository, we refurbished this historic building to significantly upgrade the front of house for customers, including a new café, breakout space and meeting rooms, and added 13,000 sq. ft. of space across two new floors.

LEROY HOUSE
We are in the process of refurbishing Leroy House – designed to achieve 77% less embodied carbon than typical new-builds and 24% more energy efficient than regulation.
We can achieve this because we are retaining the building’s structure, using recycled construction materials and natural ventilation, installing state-of-the-art solar panels, and replacing gas boilers with air-source heat pumps.

Read more, Page 69



OUR PURPOSE IN ACTION CONTINUED

Giving communities the space to **thrive**

750+

customers reached through Workspace wellbeing initiatives

Investing in communities

REGENERATION STORY IN BOW

Our redevelopment of Lock Studios in Bow has transformed the site from low-quality light-industrial space into a vibrant mixed-use community.

Read more, Page 53

DONATING SPACE

This year, we have donated space at The Record Hall to Sheltersuit, a company making waterproof jackets with detachable sleeping bags for the homeless. They use entirely upcycled materials and the products are made by former refugees who are then trained up to give them confidence to enter the labour market.

OUR PURPOSE IN ACTION CONTINUED

The right space for **customers**

Edinburgh House, Vauxhall

69%

Day-to-day utilisation of centres compared to pre-covid levels

110

Meeting rooms across the portfolio

Prioritising people: Our customers

TRULY FLEXIBLE OFFER
As well as flexible lease terms allowing customers to change their space requirements as their business evolves, we provide blank canvas spaces in inspiring buildings where companies can reflect their own identity and culture.

ENCOURAGING COLLABORATION
Utilisation of our centres has steadily increased with the removal of Covid-related restrictions and our centre teams have been welcoming customers back to their offices. With a renewed focus on collaboration, we are adding more breakout space and restarting our networking events to bring customers together when they're in the office.

MEETING CUSTOMER NEEDS
Having grown significantly during the pandemic, we helped on-demand grocery delivery company Gorillas create the perfect delivery hub in Kennington Park. With very specific requirements, we created an expansive ground floor space for the groceries with direct road access for their e-bikes and desk space for the operational team to work.

OUR PURPOSE IN ACTION CONTINUED

The space for every **ambition**

“Workspace’s visit to our school opened my eyes to career opportunities in finance. I’m loving the role so far – it’s been a great start to my finance career.”

Darien Hidalgo
Accounts Payable Clerk, Workspace

Kennington Park, Oval

Prioritising people: Our employees

EMPLOYEE WELLBEING

Workspace is passionate about employee wellbeing. Initiatives rolled out this year have included lunchtime running clubs, regular webinars on topics such as stress management, financial planning and immune health, and monthly themed social events organised by different teams.

DEVELOPING SKILLS AND CAREERS CASE STUDY

Three years ago, Workspace’s finance team presented job opportunities for sixth formers at Darien’s school. Darien, pictured, took an interest in our finance department and subsequently spent a week on our work experience programme, working across a variety of different teams. Three years later, he approached Workspace and landed his first role as Accounts Payable Clerk. Darien is due to start training for his Association of Charted Certified Accountants qualification next year.

A DYNAMIC CULTURE

We believe that a culture articulated through a clear set of values creates a common feeling of identity and direction, ultimately supporting our purpose and bringing our strategy to life. This year’s annual survey again showed our four company values continue to resonate with our employees.

Read more, Page 24

CHAIRMAN'S STATEMENT

Amidst ongoing challenges, Workspace has had a great year, demonstrating a strong recovery following the pandemic. We are now well positioned to continue to grow the business and deliver value for shareholders.

Stephen Hubbard
Chairman

CHAIRMAN'S STATEMENT CONTINUED

> **Our brand is permeating and Workspace is perceived as an exciting, forward-looking company and the ideal home for London's brightest businesses.**

It's been another challenging year for businesses with the continued impact of Covid-19 felt for much of the year and the prolonged uncertainty that it brought. In addition, we have seen inflation grow across a range of different industries and market volatility due to the ongoing war between Russia and Ukraine.

Against this backdrop, Workspace has performed extremely well. We have seen robust demand for our distinctive offer and with the lifting of Covid restrictions in early 2022, our business centres are busier than they've been in the last two years.

This is reflected in our full year results, with net rental income up 6.4% to £86.7m, overall occupancy at 84.3% and like-for-like occupancy reaching 89.6% by the year end. Despite the volatility in the market, property values have held up well and in recognition of our improving occupancy and pricing, our EPRA NTA per share was up 5.3% to £9.88.

When I reflect on what has made a real difference in driving this performance, it is important to note the work we have done this year to build awareness and understanding of our brand. We now have a clearer definition of our offer, which is distinctive in the market and well understood. Our flexible product is aimed at a vibrant, growing part of the economy – SMEs – and we have the right space in the right locations to meet their demands. There is still work to do but our brand is permeating and Workspace is perceived as an exciting, forward-looking company and the ideal home for London's brightest businesses.

With growth firmly at the centre of our corporate strategy, this year we set our sights on accretive acquisitions. The opportunity to purchase McKay Securities materialised during the year and was a clear fit for our growth criteria. The portfolio we have since acquired offers significant opportunity: London office properties which complement our core London portfolio; South-East offices which allow us to geographically expand our offer into surrounding areas; and, finally, non-core assets which will allow us to recycle capital. This will enable us to manage our borrowing and provide capital for us to continue to invest in and develop our portfolio.

We have had a full agenda at the Board this year. Our focus has been on supporting the business and senior management team to steer Workspace through the recovery from the pandemic. With two Non-Executive Directors retiring this year, substantial effort has gone into rebuilding the Board with three new appointments. On behalf of the Board and whole Company, I'd like to express my thanks to Chris Girling and Damon Russell. Both have served nine years on the Board and we are grateful for the significant insight and support they have provided over that time.

We have welcomed three new Non-Executive Directors to the Board this year, with Duncan Owen joining in July 2021 and both Manju Malhotra and Nick Mackenzie joining us in January 2022. We are already benefiting from the wealth of experience and expertise they bring across strategy, customer service and real estate and look forward to the contribution they will make to the business.

Once again, ESG has been a key agenda item for the Board this year. We have enjoyed working with Sonal Jain, Workspace's new Head of Sustainability, to clarify our sustainability strategy and agree a stringent set of targets to deliver a positive environmental and social impact. Governance is key in making sure we deliver on our ambitions, which is why we have created a dedicated ESG Committee to oversee delivery. Our Remuneration Committee has helped introduce a number of policies to ensure that ESG is a crucial element of bonus schemes at all levels of the Company.

Workspace has a unique ESG story. Our model is inherently sustainable as we focus on repurposing buildings, revitalising local areas and driving positive change for local communities. I'm delighted we currently hold the highest GRESB rating of five-star and a double-A rating from MSCI, placing us in the top tier of our peer group. Given our scale and position as home to more than 3,000 businesses, the Board believes we can have a significant impact on mitigating climate change risk as a business, encouraging our suppliers and customers to do the same, and enhancing the social value we bring to communities across London.

It is our people that will help us to deliver this value and I see first-hand how dedicated they are through the regular breakfast sessions I host for employees across the portfolio. Once again, I have been thoroughly impressed at how teams have pulled together to support our customers through the ongoing challenges of the pandemic and their subsequent return to their offices. I'd like to thank all our employees for their continued hard work and commitment this year.

£9.88
EPRA NTA per share

89.6%
Like-for-like occupancy

Workspace has an exciting future ahead of it. This year, we have continued to grow the business in line with our clear investment strategy, recycling capital from the sale of Fitzroy Street into two new acquisitions, The Old Dairy in Shoreditch and Busworks in Islington. Over time, as we reposition these assets, they will be great additions to our offer, with The Old Dairy complementing our existing Shoreditch offer at The Frames and Busworks becoming a flagship centre for small businesses in North London.

With occupancy at pre-Covid levels and continued strong demand for our flexible offer, Workspace is in a fantastic position. Our results this year reflect this, but we expect to see the full benefits of our recovery next year as we integrate these acquisitions and drive rental growth across the portfolio. The Board is very confident that we will generate strong returns for shareholders over the medium term.

Stephen Hubbard
Chairman

CHIEF EXECUTIVE OFFICER’S STATEMENT

This year we have achieved what we set out to do: bring customers back to our business centres and recover occupancy to pre-Covid levels.

Graham Clemett
Chief Executive Officer

WATCH OUR WORKSPACE 2022 VIDEO
https://www.workspace.co.uk/investors

CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

> **Our focus is on future proofing our properties for generations to come, breathing new life into older character buildings.**

Our focus during the last financial year has been on putting the business back on an even keel after the significant challenges that Covid has posed. Our priorities have been to support our customers' return to their offices and rebuild occupancy towards our target 90% level. Despite the ongoing difficulties of operating through Covid-related restrictions for much of the year, I am delighted with the progress the business has made and want to thank all our teams across Workspace for their outstanding efforts.

In terms of performance, the strength of customer demand for space and the improvement in occupancy we have achieved are a testament to the attraction of our flexible offer and the quality of our space. We averaged over 900 enquiries a month and completed on some 1,500 lettings over the year with a total value of £30m. We saw our like-for-like occupancy level improve from 81.8% to 89.6% and made excellent progress in letting up the space at our recently completed projects. This has delivered a 6% increase in net rental income and a 21% improvement in trading profit after interest to £46.9m. On the back of these strong trading results and confidence in the outlook the Board has recommended a final dividend of 14.5p per share, with the total dividend for the year up 21% to 21.5p per share.

We have also seen a welcome increase in our property valuation this year, up by 3% on an underlying basis to £2,402m, with our EPRA net tangible assets per share up by 5% to £9.88. The improvement over the year was driven by yield movement with the equivalent yield on our like-for-like portfolio coming in from 5.9% to 5.7%. Estimated rental values were down by 1.9% in the year as a whole, despite pricing and estimated rental values improving in the second half of the year.

The changes to working practices that we have been seeing for some time have accelerated in the post-Covid environment and I believe are here to stay. We benefit hugely from these changes; flexibility has become mainstream; businesses have realised that the office must be a place for collaboration and creativity and demand is broadening out to a wider range of locations in and around London. Employers are also aware of the growing importance of creating a culture and environment their employees want to be a part of and want to commute to, helping ensure they attract and retain the best talent. With all of this in mind we are very much in growth mode, both organically from our extensive project pipeline and from acquisitions.

In terms of acquisitions, we purchased The Old Dairy in Shoreditch and Busworks in Islington during the year. Distinctive buildings in locations where we see strong demand, they are great additions to our portfolio.

More recently in May of this year we completed the acquisition of McKay Securities PLC, a well-regarded commercial property company with a portfolio covering both London and the South-East. The portfolio was valued at £495m at 31 March 2022 and we acquired the company at a 14% discount to its net asset value. A third of the portfolio by value are London properties in good locations, with a number having high vacancy levels due to refurbishment activity giving us the opportunity to quickly adapt the buildings to our flexible offer. A further third are South-East offices and business parks which give us the opportunity over time to roll-out our flexible offer in well-connected feeder towns to London, although the majority are currently well let and high income yielding. The remaining third is an industrial portfolio which is again well let but offers limited opportunity for us to add value and we are now considering its sale. Overall, with very limited risk we see this as an attractive opportunity to deliver significant value from integrating McKay onto the Workspace platform, scaling up our portfolio and its reach, and recycling the proceeds from the sale of non-core assets.

Alongside these acquisitions we continue to deliver attractive new and refurbished space from our project pipeline. Just south of the Olympic Park in Stratford, we opened Mirror Works, our latest mixed-use redevelopment project, which is letting up well in an area previously lacking in flexible office space. In West London, we completed the major refurbishment of Pall Mall Deposit, adding 13,000 sq. ft. of space and significantly upgrading the rest of the building, including the front of house and café. We have more exciting projects to come, with an extensive pipeline of projects delivering some 1.2 million sq. ft. of new and upgraded space over the next five years.

While all our projects have different characteristics and asset plans, there is a common thread tying them together; the sustainability lens through which we operate our business. Our focus is on future proofing our properties for generations to come, often breathing new life into older character buildings, ensuring they are climate resilient and will have a positive impact on their local community and environment. By generating hubs of economic activity we aim to create a flatter, fairer, more sustainable London.

This focus on sustainability extends to our engagement with people across all aspects

£46.9m
Trading profit after interest

21.5p
Total dividend per share

of our business. We prioritise the satisfaction and wellbeing of our employees and our customers and work in partnership with them to drive more sustainable behaviours across our sites. Over the coming year, we will be rolling out a programme of engagement with local schools and youth organisations to offer workshops and work experience placements for disadvantaged young people with our customers' businesses to support the next generation of entrepreneurs.

Looking ahead we are of course conscious of the challenging economic environment in the UK, with inflationary pressures to the fore and concerns over a potential recession. That said, we have proved many times over the enduring appeal of our flexible offer and our ability to manage through these more challenging times. We have a distinctive flexible offer that chimes with the market, a scalable operating platform, a great portfolio of properties with a rich pipeline of project activity and the opportunity to add to this from selective acquisitions. With our like-for-like occupancy now back at its target level, customer demand strong and pricing improving we are well-positioned to deliver superior returns to shareholders over the coming years.

Graham Clemett
Chief Executive Officer

CASE STUDY

Acquisition of McKay

In March 2022, we announced a recommended offer for McKay Securities PLC. The McKay shareholders approved the deal in April and, on 6 May 2022, the acquisition completed.

McKay is a business we have followed for some time, particularly due to the attraction of the London office assets. This property portfolio gives us the opportunity to accelerate our existing growth plans at an attractive price.

There are three parts to the McKay opportunity:

1. A scale London portfolio of well located assets, where we can adopt our model in a cost-effective way, with an opportunity to quickly fill vacancy and drive rental growth – expanding our presence into areas such as Aldgate, Croydon and Wimbledon.
2. With demand broadening out across London and beyond, this deal allows us to conduct a low-risk selective deployment of our model into the South-East office market to meet the demand from SMEs for our distinctive flexible offer.
3. McKay's portfolio of liquid industrial and logistics assets provides a capital recycling opportunity.

This acquisition will enable Workspace to capture more of the strong demand we are seeing from SMEs for high-quality, flexible office space and we are confident it will deliver strong returns for shareholders.

> This is an opportunity to deliver significant value from integrating McKay onto our platform, scaling up our portfolio and its reach, and recycling the proceeds from the sale of non-core assets.

Graham Clemett
Chief Executive Officer

Portsoken House, Aldgate

OUR BUSINESS MODEL

Home to London's **Brightest Businesses**

WHAT WE DO
We are the leading provider of flexible office space in London, offering inspiring spaces to over 3,000 of London's brightest businesses.

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.

DELIVERING OUR PURPOSE

Giving businesses the freedom to grow. Because we believe that in the right space, teams can achieve more.

Through our sustainable business model, we aim to create a flatter, fairer, more sustainable London. We repurpose iconic buildings, invest in revitalising communities and prioritise the wellbeing of our customers and people.

KEY STRENGTHS

CUSTOMER PROPOSITION
We provide SMEs with blank canvas spaces on flexible terms within inspiring buildings in dynamic London locations.

Read more, Page 15

UNIQUE PORTFOLIO
We own a predominantly London-based portfolio of high-quality assets. We actively manage them to drive income and capital growth and expand our footprint through our extensive project pipeline.

Read more, Page 16

OPERATING PLATFORM
Our proprietary and sophisticated in-house platform manages all interactions with customers. It is scalable and provides valuable data and insight into SME demand and trends.

Read more, Page 18

PRUDENT FINANCING
We prudently manage our balance sheet and are committed to maintaining strong credit metrics with LTV below 30%. Our focus is on generating sustainable, long-term income.

Read more, Page 19

TALENTED PEOPLE
We have a diverse, vibrant and inclusive culture. Our teams have a broad range of skills, experience and backgrounds and work together to deliver excellent customer experience.

Read more, Page 20

A SUSTAINABLE APPROACH
Our aim is to create high-quality, energy-efficient buildings and to have a positive environmental and social impact on our employees, our customers, local businesses and communities.

Read more, Page 21

OUR BUSINESS MODEL CONTINUED

Customer proposition

A truly flexible offer

As well as flexible lease terms that allow our customers to expand or contract in line with their business needs, we offer blank canvas space that businesses can personalise and fit out to reflect their own brand identity and culture.

The increase in remote working during Covid has forced companies to reflect on what they need from their office space and how their space will help them to attract and retain talent. With inspiring architecture in fantastic locations and around 30% of our buildings dedicated to attractive, well-designed communal and breakout space, our business centres play an important part in this. Space in which to bring teams together and collaborate has become more in demand than ever and our offer includes high-spec meeting rooms, secure cycle storage, showers and high-quality cafés.

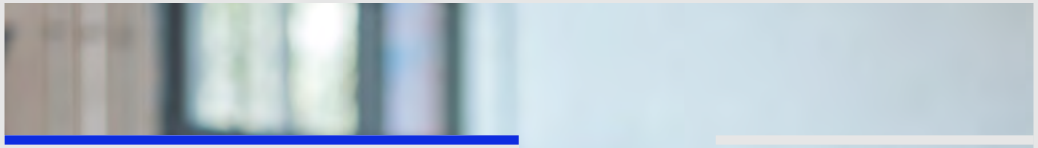
Enhancing the customer journey

We have put significant effort this year into refining and simplifying the customer journey and thereby improving the overall experience for customers. Areas of focus have included rolling out inclusive pricing and enhancing the process for new customers moving in and existing customers moving within Workspace. We have also provided customer-first training to every employee, including Executive Directors, to ensure customers are always front of mind, no matter the employee's role.

TOP PRIORITIES WHEN SELECTING OFFICE SPACE

1. Value for money
2. Location
3. Flexibility
4. Connectivity
5. Trusted landlord
6. Quality of amenities

Workspace Survey of 300 SME decision makers, April 2022.



Q&A with a centre manager

Michelle Desmond
Centre Manager at Grand Union, Pall Mall & Shaftesbury

Q What do you find customers value most in your centres?

A Flexibility is of course key – a lot of our SME customers are eager to grow and expand but also want to know they can easily downsize if needed. The additional amenities, like cycle storage and showers, are especially important at the moment.

I've noticed that our customers really value interacting with our centre teams face to face. They like to talk about what is going on with their business or how they spent their weekend. It's key in building lasting relationships.

Q Are you seeing customers use our space differently during the world of hybrid working?

A They often come in three or four times a week. This is nothing new – most of them had embraced hybrid working before the pandemic hit. Teams tend to complete their admin from home on Mondays or Fridays, and they travel to the office in the middle of the week to come together and collaborate.

Our customers like to make the most of the nooks and crannies of the building. They often take calls in our phone booths and breakout space.

Q&A with senior management

Q What is it about our buildings that has helped us capture customer demand?

A Whilst our flexibility and range of appealing locations are crucial, the visual appeal of our characterful buildings – and the vibrant communities of SMEs within them – really help us stand out in the eyes of our customers.

In a competitive market, our customers know it is critical to offer space that is inspiring and attractive to their teams, and make coming back into the office an energising experience.

Q What growth potential do you see in our portfolio?

A We have a fantastic pipeline of refurbishment and redevelopment projects within our existing portfolio – allowing us to grow both the footprint of our business but also the rental levels we can achieve on our existing assets.

We have excellent customer retention, and our scale allows us to relocate customers while we refurbish and improve our assets. Our phased approach means we can constantly enhance returns on our existing assets. Meanwhile, we have an exciting pipeline of acquisition opportunities to further expand our reach.

Leo Shapland
Head of Portfolio Management

OUR BUSINESS MODEL CONTINUED

Unique portfolio

We own a distinctive portfolio of freehold assets across London. Our business centres are typically characterful, relatively low-rise, large buildings of 30,000 sq. ft. or more. Configuration of the buildings is important and we prioritise those that carve up well for our multi-let strategy. They are well located, close to major transport links and in vibrant neighbourhoods. Many of them are iconic destinations in their area, providing a focal point for the local community.

Active asset management

We actively manage the portfolio to drive income and capital growth over the long term. We target 90% occupancy on our like-for-like properties and, as occupancy ramps up, we are able to increase pricing to deliver rental growth. We have an extensive pipeline of refurbishment and redevelopment projects to upgrade the assets, expand our footprint and deliver rental uplifts, while also enhancing the value of our properties.

The upgrades we deliver ensure our properties meet the ever-evolving needs of our customers, as well as allowing us to implement the latest sustainability features, such as secure cycle storage, solar panel systems, smart metering and LED lighting.

Scaling the portfolio

As well as growing organically, we also take advantage of opportunities to scale up through strategic acquisitions. This year we made two individual asset acquisitions, The Old Dairy in Shoreditch and Busworks in Islington, both unique properties where we can add value as we reposition them over time.

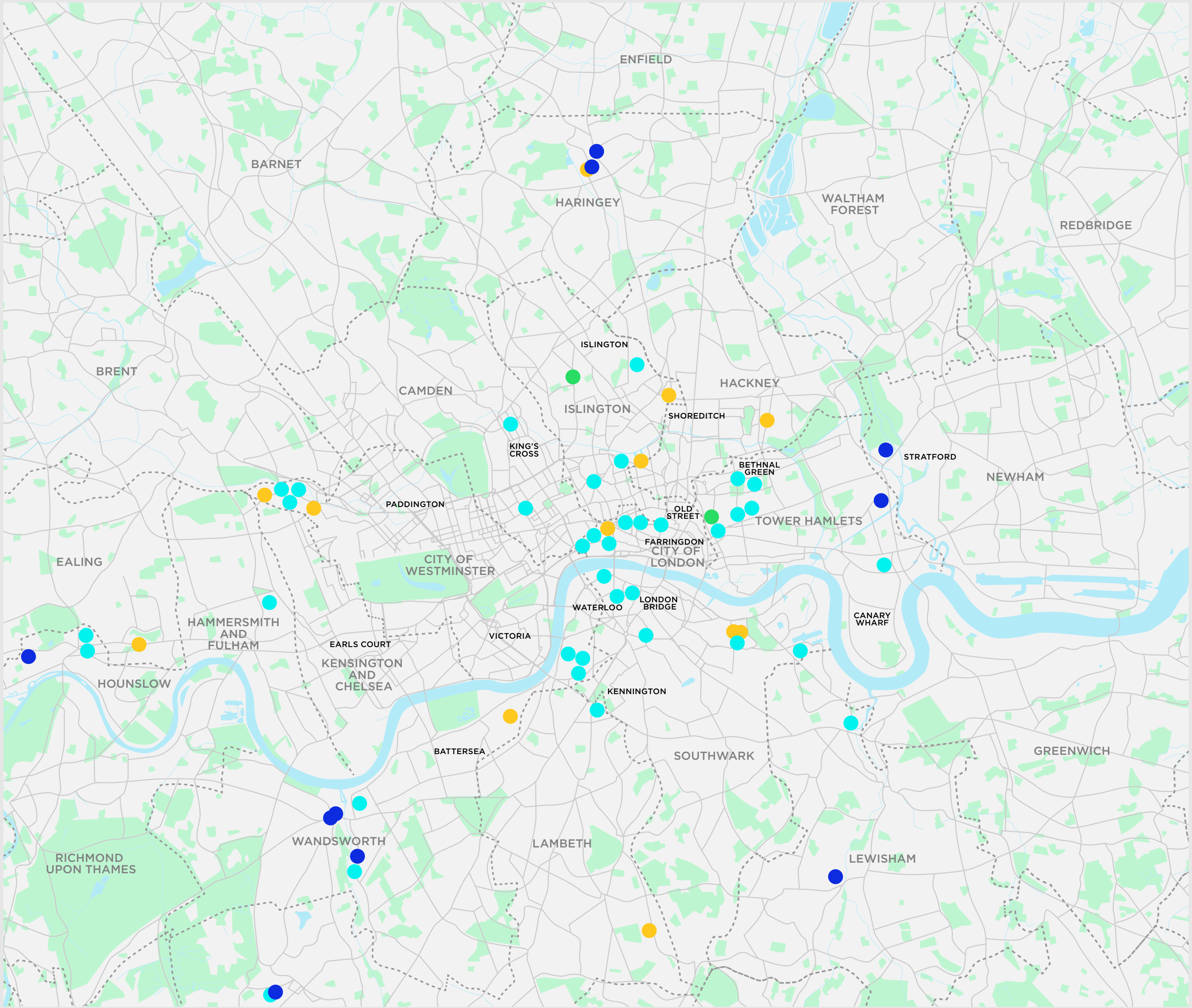
In addition, after the year end, we completed the acquisition of McKay Securities, with its portfolio of assets in London and the South-East. This accelerates our growth plans, adding high-quality assets in London, an opportunity to test our offer in the South-East office market and light industrial assets which we can recycle into investment in our core business centre offer. We believe that by applying our proven operating model and asset management expertise we can add significant value to this portfolio over time.

OUR BUSINESS MODEL CONTINUED
UNIQUE PORTFOLIO CONTINUED

OUR PORTFOLIO

A scale portfolio of high quality, characterful buildings in dynamic locations spread across London.

Workspace Group portfolio*	2022	2021
CBRE property valuation	**£2,402m**	£2,324m
Number of locations	**57**	58
Lettable floorspace (million sq. ft.)	**4.0**	3.9
Number of lettable units	**4,482**	4,196
Rent roll of occupied units	**£111.0m**	£103.9m
Average rent per sq. ft.	**£33.26**	£33.90
Overall occupancy	**84.3%**	77.8%



- Like-for-like
- Refurbishments
- Mixed-use redevelopments
- Acquisition

* Excluding McKay portfolio.

OUR BUSINESS MODEL CONTINUED

Operating platform

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

The strong relationships we have with our customers and our direct interaction with them provides real-time market intelligence, alongside regular surveys. This year, we have enhanced our customer insight capabilities and appointed a new survey partner. We aim to introduce new customer touchpoint surveys to generate more regular feedback and gather views from a broader audience of customers. The data and insight we collect will help drive decision-making across the business and ensure our product is constantly adapted in line with customer needs.

Our platform is scalable and means we can grow our portfolio without incurring significant operating cost growth. The acquisition of McKay is a good example of this as we are confident that we will be able to integrate both their London and South-East assets onto our platform and manage them more efficiently as a result.

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 as we do requires a particularly dynamic culture and in-house expertise and is part of what makes Workspace unique.

917

Average enquiries per month in the year to 31 March 2022

598

Average viewings per month in the year to 31 March 2022

£30m

Total value of lettings completed in the year to 31 March 2022

Q&A with senior management

Q How has the new Leasing team structure improved the business?

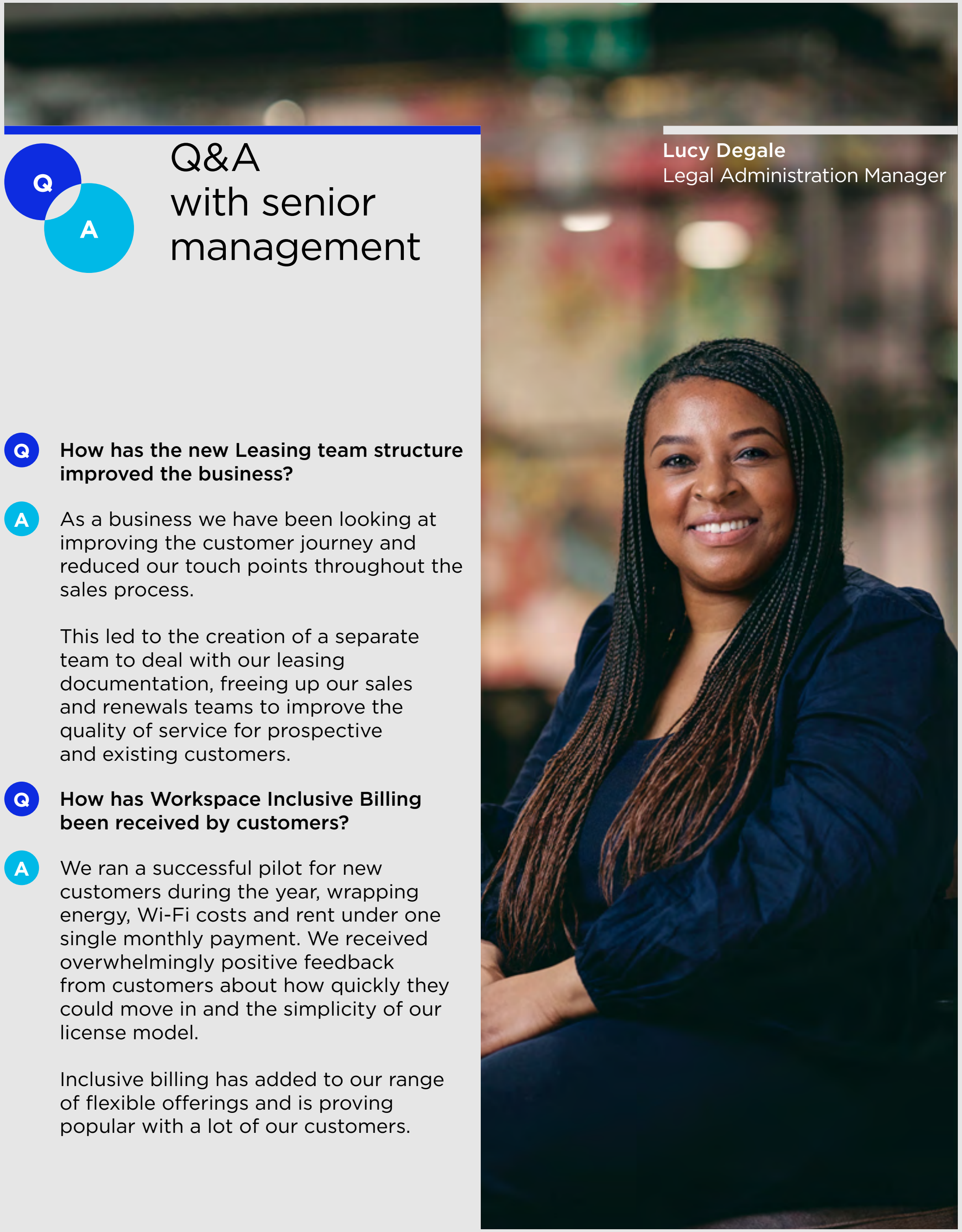
A As a business we have been looking at improving the customer journey and reduced our touch points throughout the sales process.

This led to the creation of a separate team to deal with our leasing documentation, freeing up our sales and renewals teams to improve the quality of service for prospective and existing customers.

Q How has Workspace Inclusive Billing been received by customers?

A We ran a successful pilot for new customers during the year, wrapping energy, Wi-Fi costs and rent under one single monthly payment. We received overwhelmingly positive feedback from customers about how quickly they could move in and the simplicity of our license model.

Inclusive billing has added to our range of flexible offerings and is proving popular with a lot of our customers.



Lucy Degale
Legal Administration Manager

Q&A with senior management

Andrew Dodson
Group Financial Controller

Q What have you learned about the business in the first year in the job?

A Just how different Workspace is to most traditional office REITs – especially regarding our flexible offer and focus on customers.

My role is always varied and a key part of that is managing the treasury function, including building close relationships with financial institutions, monitoring cash flows and covenant performance – and recently refinancing our bank facility with a £200m ESG-linked revolving credit facility in December 2021.

Q How are you supporting the growth plans of the business?

A It's essential we have adequate debt facilities in place to allow us to take advantage of opportunities as they arise such as the recent acquisition of McKay. We also work closely with our investment and development teams to ensure all capital allocation decisions deliver an appropriate level of return as well as grow the business.

Our overarching principle is to maintain a prudent capital structure to limit financial risk and retain the confidence of our shareholders.

OUR BUSINESS MODEL CONTINUED

Prudent financing

Generating long-term, sustainable income

We prudently manage our balance sheet to drive the best returns for shareholders. The balance sheet includes a mixture of bank debt, private placements and a corporate bond, with a broad spread of maturities, all unsecured.

The sustainable nature of our business model means that accessing green finance is a natural move for us. As well as the £300m Green Bond we raised last year, this year we have put in a place £200m ESG-linked revolving credit facility.

In March 2022, we announced our recommended offer to acquire McKay Securities, an exciting opportunity to accelerate our growth plans. We are financing the acquisition, which completed in May 2022, with a mix of cash and shares and have put in place a £200m 18-month acquisition facility. We are committed to maintaining our strong credit metrics with LTV under 30% and will be actively managing our portfolio to recycle capital where appropriate.

£200m
New ESG-linked revolving credit facility

23%
Loan to value at 31 March 2022

£200m
Acquisition facility in place to finance McKay acquisition

OUR BUSINESS MODEL CONTINUED

Talented people

We have a unique and skilled team at Workspace with a valuable mix of people with long-term experience in the Company and newer members of the team bringing fresh ideas and expertise. We are driven by a diverse, vibrant and inclusive culture, as well as a focus on customer service.

As we have seen customers come back to our business centres following the pandemic, our centre teams have worked hard to ensure the environments are welcoming and to offer the high standards of service businesses have come to expect from Workspace.

We are constantly looking for ways in which to further upskill our teams and ensure all employees have access to training and development opportunities. The next phase of the customer-first training we rolled out this year will be a programme of job shadowing across the business. This will see every member of staff, including the Executive team, shadowing a colleague in a different role for half a day to provide new perspectives and improve understanding of the various roles within the business.

Workspace is passionate about employee wellbeing. This was highlighted as an area of particular importance in last year's annual survey and, as a result, we have invested in a number of new initiatives this year.

These include lunchtime running clubs, regular webinars on topics such as stress management, financial planning and immune health, and monthly themed social events organised by different teams.

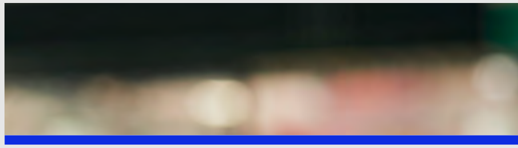
OUR COMPANY VALUES

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

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.

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.

BE A LITTLE BIT 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.



Q&A with senior management

Ben Saunders
Head of People

Q What is Workspace doing to attract and retain a diverse range of talent?

A We pride ourselves on a strong culture and set of values – and that has been invaluable in retaining our staff, many of whom stay with us for a long time.

We're now reinforcing that positive culture in our recruitment policy and focusing on even greater inclusivity. For example, rather than relying solely on recruitment agencies we are recruiting via social media and job boards to pull from a wider talent pool. This year, we also trained all of our hiring managers in unconscious bias.

Q What are you doing to look after staff wellbeing?

A With effects of the pandemic well documented, we saw it as a priority to ramp up our wellbeing offer. We have helped reinforce our positive culture with a programme of fun activities – regular socials in the office, yoga sessions, running clubs and mental health workshops. We've also introduced HealthShield, a portal to claim back day-to-day costs of looking after yourself, and an app called Thrive, where employees can access techniques to manage their mental wellbeing.

Q&A with senior management


Sonal Jain
Head of Sustainability

Q Since joining last year, what has been your biggest achievement?

A COP26, hosted in the UK, this year placed welcome pressure on UK businesses to show leadership on climate action. Fortunately, we were one of the first real estate businesses to set an ambitious 2030 net zero target back in 2019, aligning our emission reduction trajectory to the 1.5°C pathway. I am extremely proud of the progress we have made on reducing our emissions, including creating a net zero projects brief, developing a clear net zero carbon investment plan and on upskilling all our people on the topic.

Q What value is sustainability generating for the business?

A Our sustainable refurbishment projects generate positive financial returns. This is supported by the fact that our energy cost savings are getting more material now, and we are accessing green financing on the back of our strong sustainability credentials. For us, however, the biggest value add is customer engagement and loyalty. We have received very positive feedback, with nearly two thirds of customers saying they are satisfied that we are socially and environmentally responsible.

OUR BUSINESS MODEL CONTINUED

A sustainable approach

Workspace has an inherently sustainable business model.

We repurpose iconic buildings throughout London, breathing new life into them and investing to ensure they are climate resilient and future proofed for generations to come. Our model generates significantly less embodied carbon than traditional new builds and we install the most efficient systems to reduce operational carbon as well.

We provide quality flexible space for SMEs in our centres that become hubs of economic activity, levelling up London's working map as a result. We aim to be a positive social force in the boroughs in which we operate, bringing employment into emerging areas and prosperity for local businesses, as well as working with our customers to provide employment-focused support to disadvantaged young people in London.

We prioritise people. This guides the way we build relationships with our customers, support the next generation of entrepreneurs and look after our employees. We work closely with customers to drive more sustainable behaviours in our centres, including through the foundation of several centre-specific environmental groups.

We are passionate about the satisfaction and wellbeing of our employees to ensure they have what they need to thrive in their roles and deliver operational excellence.

OUR QUARTERLY SURVEY OF SME DECISION MAKERS 300 RESPONDENTS

85%
say sustainability is important to their business

72%
have net zero objectives

20%
selected an office provider based on its strong sustainability credentials

CASE STUDY

London's Brightest Businesses panel discussion

After a hiatus on our customer events programme resulting from the pandemic, we returned to in-person events with an insightful panel discussion at Salisbury House in March.

The panel explored how SMEs have thrived through the pandemic and featured two of our customers – Jamelia Donaldson, Founder of Treasure Tress and Freddie Garland, Founder of Freddie's Flowers – alongside Will Abbott, our Chief Customer Officer.

The discussion drew on the successes seen by SMEs that have adapted rapidly during the pandemic, highlighting the importance of rethinking channels to market, the need to consider innovative forms of business finance, and the benefits of building close and authentic relationships with customers.

The first in our new series of London's Brightest Businesses events saw a turnout of more than 60 customers and received glowing feedback – with customers praising the advice and helpful business tips they took from the event.

Our next panel discussion is focusing on how SMEs are helping create a more sustainable future.

Customers loved hearing helpful business tips from fellow founders – and they welcomed the return to in-person events, which meant they could talk to the panellists afterwards and network.

Stacy Lyden-Sauppe
Events Manager

60
Workspace customers attended the in-person event

1,000
Customers engaged with since we relaunched in-person events

OUR STAKEHOLDERS

We understand that our stakeholders are the key to our success.

Our purpose – to give businesses the freedom to grow – has created a culture that puts our stakeholders at the heart of the business. Listening to our customers, people, investors, partners and communities, both in person or by collecting real-time data, directly informs the way we make decisions on a day-to-day basis.

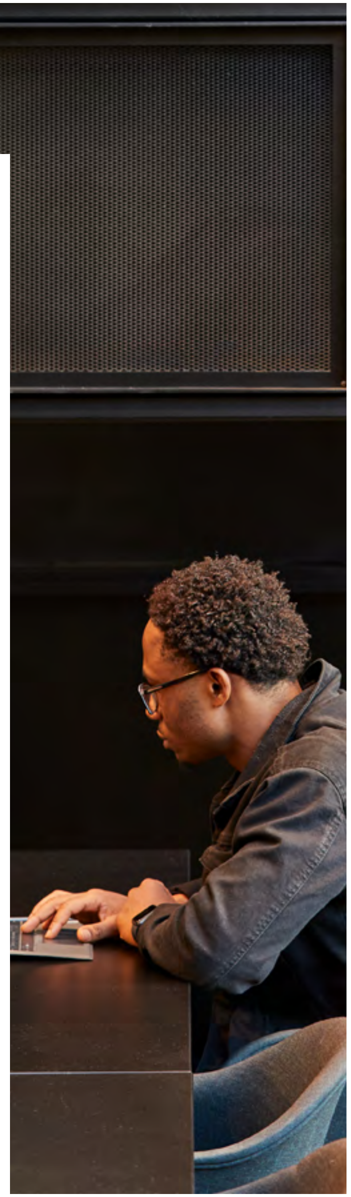
SECTION 172(1) STATEMENT
Our Section 172(1) Statement sets out how the Board has had regard to its stakeholders and other section 172(1) matters during the year.

Section 172(1) Statement, Page 113

Our customers

HOW WE ENGAGE
From the moment a prospective customer contacts Workspace, we start to build a relationship which is strengthened by our Centre Managers once the customer has moved in. They gather and address daily feedback, monitoring how our customers' requirements continue to evolve. We also carry out scheduled surveys regularly, ensuring we are providing quality customer service and building management. This mix of informal and formal feedback also helps inform our growth plans around, for instance, refurbishment and acquisitions.

HOW THE BOARD ENGAGED
- Reviewed and approved changes to the way our Leasing team is structured to help identify service improvement areas
- Discussed plans to meet our net zero carbon targets
- Approved advertising campaigns



Brickfields, Hoxton

SIGNIFICANT TOPICS RAISED
- Multiple points of contact during the sales/renewals process
- Desire for smaller units
- Flexibility of space and leases
- Changing working patterns during the pandemic
- Aversion to long commutes
- Proclivity for bicycle commutes
- Covid safety measures
- Range of location choices, especially non-central
- Super-fast, building-wide Wi-Fi
- Dog access to buildings
- Desire for more meeting rooms
- Community events

ACTIVITY IN THE YEAR
- New streamlined leasing process and team, improving the customer journey and reducing points of contact
- Customer-first training for all Workspace teams
- Sustainability focus groups
- Broken many of our floorplans into smaller units to account for this demand
- Delivered 70,000 sq. ft. of new and upgraded space
- Kept centres open during lockdowns
- Purchased 2 new properties
- Introduced policy welcoming dogs into our space (and a corresponding social media campaign called 'Dogs of Workspace')
- 12 new meeting rooms
- Added bicycle storage
- Relaunched in-person events programme, including London's Brightest Businesses panel discussion

OUR STAKEHOLDERS CONTINUED

Our people

HOW WE ENGAGE

We prioritise the satisfaction and wellbeing of our employees and embrace diversity as a core value. For the past two years, employee survey feedback has shown that teams strongly believe in our culture and clear set of values. We monitor employee engagement and satisfaction through yearly employee surveys, while our Chairman carries out quarterly engagement sessions with staff – a confidential forum for candid feedback. Up-to-the-minute intranet articles and monthly newsletters, called The Wrap, keep staff informed of company news. We host regular town hall events, called The Wrap Live, to provide updates and answer questions from staff.

85%
of staff completed our employee engagement survey

HOW THE BOARD ENGAGED

- Our Chairman, Stephen Hubbard, hosted four employee engagement sessions with a mix of centre and head office staff providing feedback
- Held a panel discussion with Rosie Shapland, Lesley-Ann Nash and Manju Malhotra for International Women's Day
- Reviewed and discussed our new hybrid working policy
- Featured welcome interviews with three new Non-Executive Directors in The Wrap newsletter

SIGNIFICANT TOPICS RAISED

- Confidence in Workspace's success
- Enjoyment in working at Workspace
- Values match our culture
- Teams stayed connected during the pandemic
- Rewards and recognition
- Career progression and training
- Flexible working
- Leadership communications
- Desire for more company updates
- Collaboration

ACTIVITY IN THE YEAR

- Six Wrap Live town hall events, featuring speakers from across the business
- Awarded Workspace Winners awards and hosted celebratory dinner
- Wellbeing added to Charity Committee remit
- Wellbeing programme, including webinars, support app and benefits
- Brand proposition and purpose training
- Introduced hybrid working policy

Our investors

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 their decision-making.

ACTIVITY IN THE YEAR

- Regular engagement with investors and sell-side analysts
- Mix of virtual and in-person presentations
- Participation in virtual investor conferences
- Ad hoc investor calls and meetings
- Capital markets event on brand and marketing
- AGM held at Edinburgh House, Kennington

HOW THE BOARD ENGAGED

- Proactively reached out to shareholders to discuss the McKay acquisition
- Attended the AGM
- Reviewed and discussed the monthly IR reports
- Approved results statements
- Approved payment of the interim and full-year dividend

SIGNIFICANT TOPICS RAISED

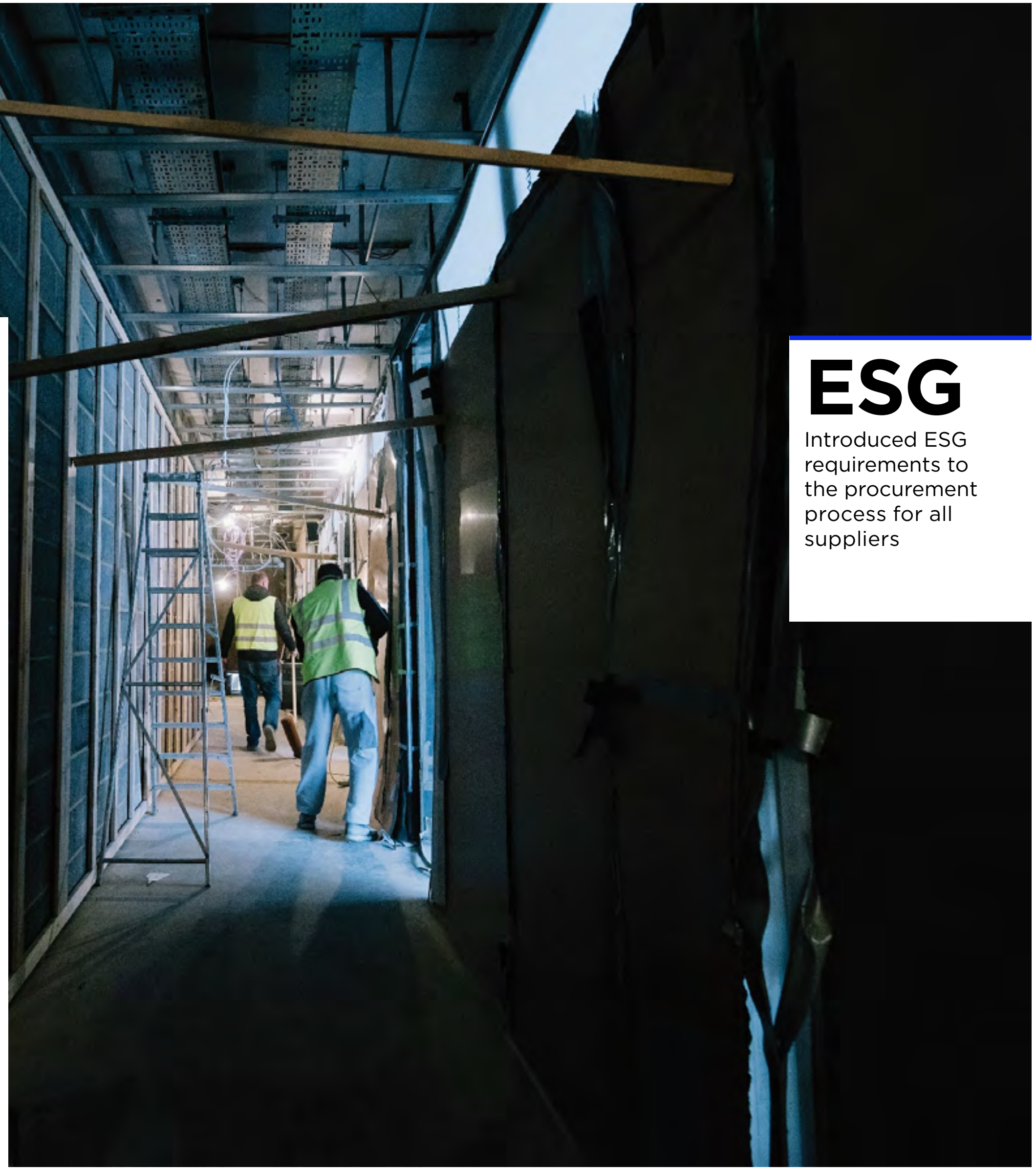
- Financial and trading performance
- Trajectory of our recovery following the pandemic
- Customer engagement and sentiment
- Balance sheet management
- Acquisitions and disposals during the year
- Our sustainability approach
- Environmental and social impact
- Brand and marketing capability
- Employee wellbeing
- Rationale for McKay acquisition

264
institutional investors engaged with during the year

OUR STAKEHOLDERS CONTINUED

Our partners & suppliers

Refurbishment works



HOW WE ENGAGE

We work closely with our partners and suppliers, aligning their values to our ethical and sustainability standards, to ensure the most productive relationship. This applies to our wide range of partners in Government, local communities and building development. We also provide direct feedback from customers to suppliers, meaning they can constantly improve their products and services.

HOW THE BOARD ENGAGED

- Discussed updates on our commitment to bring all the Group's third-party contractors onto the Living Wage by April 2022
- Reviewed and discussed updates on the Group's key suppliers

SIGNIFICANT TOPICS RAISED

- Recycling and waste practices
- Sustainable café management
- The London Living Wage
- Urban regeneration
- Compliance with building regulations and community plans
- Access for all user groups
- On-site social distancing

ACTIVITY IN THE YEAR

- Introduced an ESG questionnaire to our most material suppliers to understand their sustainability commitments
- Questionnaire themes covered energy and water consumption targets, climate risk management, Living Wage, diversity and inclusion
- Recycling roadshows
- Ensured suppliers and partners working on Workspace premises pay the Real London Living Wage

ESG

Introduced ESG requirements to the procurement process for all suppliers

OUR STAKEHOLDERS CONTINUED

Our communities

HOW WE ENGAGE

We are committed to supporting the local communities in which we operate by always putting people first. As well as bringing employment into emerging areas, we go out into our local communities to offer employment-focused support to disadvantaged young people. We support the next generation of entrepreneurs by offering CV workshops, interview practice and work experience placements.

HOW THE BOARD ENGAGED

- Our Chairman, Stephen Hubbard, took staff feedback on our community engagement and charity work during his employee breakfast sessions
- Discussed updates on the work of the Group's Charity, Wellbeing and Social Committee

540

volunteering hours, supporting a range of SHP projects and local food banks

SIGNIFICANT TOPICS RAISED

- How to advocate Single Homeless Project to staff
- How to provide assistance to young, disadvantaged people during lockdowns
- Relaunch and generate interest in fundraising activities after a year of lockdowns
- Addressing local questions and concerns around building projects

ACTIVITY IN THE YEAR

- Raised £100,000 for Single Homeless project
- Carried out 540 volunteering hours supporting Single Homeless Project, foodbanks and other causes
- Workspace Walk fundraiser, involving 70 staff
- Launched a series of summer fundraising activities for staff, including sky diving
- Created internal video communications to help drum up support for Single Homeless Project
- Hosted community consultation events for local residents and businesses around development projects
- Ran food bank collections across our properties, particularly around school holidays
- Set up taskforce to relaunch the InspiresMe work experience programme

The environment

HOW WE ENGAGE

There is a clear climate emergency and we recognise that our industry significantly contributes to the global carbon footprint, which is why we have committed to becoming a net zero carbon business by 2030. Our focus on refurbishment – rather than demolishing buildings – means we can reduce embodied carbon of our buildings significantly. As a result, Workspace buildings are 40–70% more efficient compared to standard new builds. Our Head of Sustainability is an advisory to UN High Level Climate Champions and has set out an ambitious programme for Workspace to ensure a timely transition to net zero carbon.

HOW THE BOARD ENGAGED

- Reviewed and approved the ESG-linked revolving credit facility
- Received and discussed a presentation from our Head of Sustainability on our sustainability strategy and net zero pathway

2030

Committed to become a net zero carbon business by 2030

SIGNIFICANT TOPICS RAISED

- Delivering our net zero carbon commitment
- Reducing properties' whole-life impact
- Greater energy management for customers
- Green finance
- Creating energy-efficient buildings
- Sustainable transport
- Training for staff

ACTIVITY IN THE YEAR

- Procured 100% of electricity from renewables
- Agreed ESG-linked revolving credit facility
- Added 76 bicycle storage facilities to our properties
- Reduced our scope 1 and 2 emissions by 20%
- Designed forthcoming building Leroy House to achieve 77% less embodied carbon than typical new builds
- Rolled out Optergy energy management platform across the majority of our portfolio
- Achieved recycling rate of 75%
- Rolled out sustainability training for all staff
- Installed 12 Electric Vehicle charging points

CASE STUDY

The Wrap Live

The pandemic saw the introduction of frequent town hall updates broadcast virtually to the entire business, including a chance for staff to ask questions anonymously. In 2022, this popular format was transformed into an in-person series of events, with a live audience, while also continuing to virtually stream the session.

The new iteration is called The Wrap Live, echoing the monthly Wrap staff newsletter. It provides a platform for teams from across the whole of Workspace to shine a spotlight on their roles and projects.

The first event was hosted at Edinburgh House and served as an introduction to our new Leasing team, bringing sales, renewals and legal admin under one umbrella, and how it has been designed to enhance the customer experience. A variety of questions were asked in the room and online from those watching remotely.

The next session is due to take place in early summer with the Development team outlining our exciting net zero carbon refurbishment at Leroy House.

> **A key part of our company culture is creating an open forum. The Wrap Live events put a face to each team and allow everyone across the company to ask questions and share ideas.**

Duncan Pelham
Senior Corporate Communication Manager

81%

of the company logged in and watched The Wrap Live

Lucy Degale, our Legal Admin Manager, at The Wrap Live

OUR RESPONSE TO MARKET TRENDS

With 35 years of experience, we continue to map our offer against key market trends and evolving customer requirements.

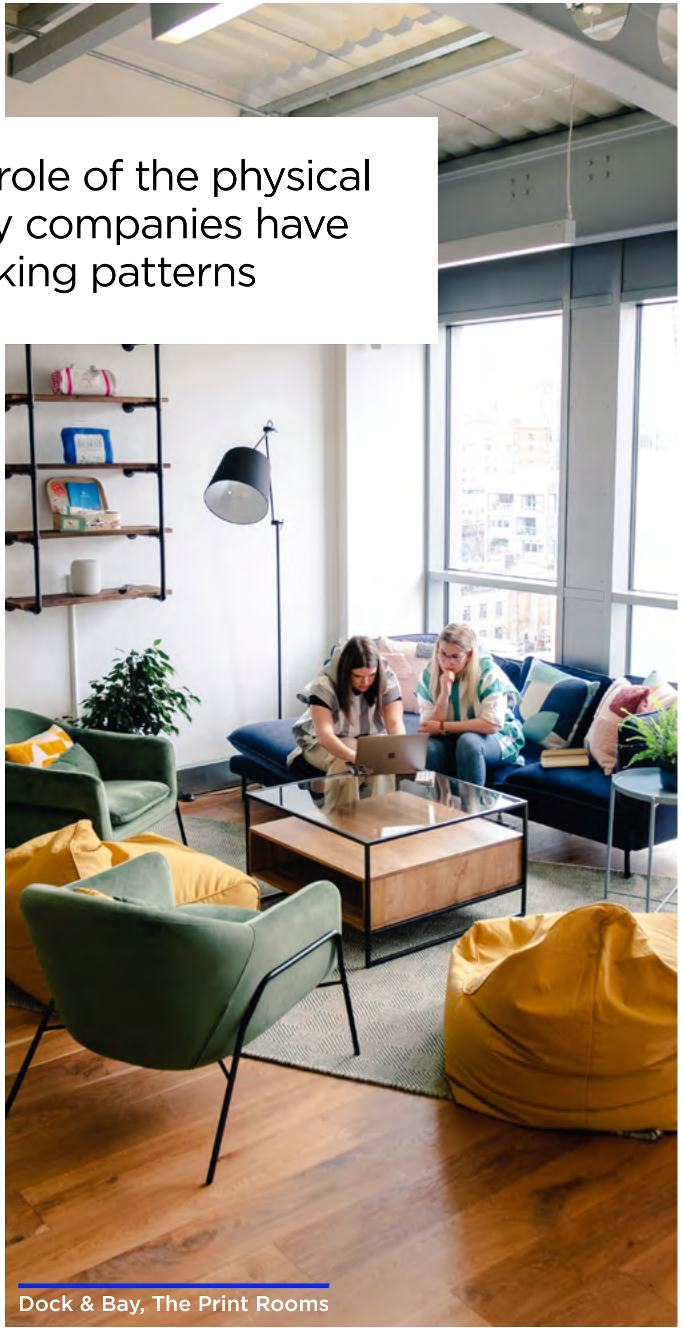
1 As the debate on the role of the physical office continues, many companies have embraced hybrid working patterns

36% of working adults continue to work from home at least one day per week[1]. At the same time, people are returning to offices in their greatest numbers since the start of the pandemic, as mandates from employers and the easing of restrictions draw staff back into work – with London occupancy rates hitting 42% in March 2022[2]. Meanwhile, a third of employees working from home are worried about the detrimental effects of solitary working on mental health[3], further prompting a return to the office.

WHAT THIS MEANS FOR WORKSPACE

Hybrid working is nothing new for Workspace's customers, many of whom already opted to work from the office three or four days a week pre pandemic. In 2022, we have seen this trend resume and utilisation of our space has returned to 69% of pre-Covid levels, as customers are keen to meet and collaborate in person. Our customer base largely comprises small businesses who understand the importance of building company culture and providing the best development and wellbeing for their employees.

86%
of UK employees would like to continue working remotely at least once a week[4]


Dock & Bay, The Print Rooms

1. Homeworking and spending during the pandemic, ONS, January 2022.
2. Freespace Report, March 2022.
3. Aetna International, Global Employee Health Study Data, November 2020.
4. 'Should We Ditch the Office' survey, Hubble HQ, January 2022.

OUR RESPONSE TO MARKET TRENDS CONTINUED

2 Economic uncertainty has been exacerbated by a range of ongoing domestic and global issues


China Works, Vauxhall

UK economic growth is expected to halve in 2022 amid inflation, tax rises and global shocks to the market[5] – compounded by ongoing disruption caused by the pandemic and the energy crisis. However, our London's Brightest Businesses research shows that the capital's small business community has remained resilient, many taking advantage of the opportunities presented by a shift in the market (for example, the acceleration of e-commerce).

WHAT THIS MEANS FOR WORKSPACE
Workspace itself has a strong balance sheet and is well positioned to weather economic volatility. Prompted by economic uncertainty and shifting working patterns, we have experienced record demand as increasing numbers of businesses seek out our distinctive flexible offer. In a clear sign of our confidence, we accelerated our growth plans by completing our purchase of McKay Securities PLC and its 31 properties in May 2022 – in turn, strengthening our financial resilience.

127
average lettings per month in the year ended March 2022

5. World Economic Outlook Update, IMF, January 2022.
6. Labour market overview, ONS, February 2022.
7. Labour market overview, ONS, February 2022.

3 A competitive hiring market means employers must invest in their space to help with attraction and retention

'The Great Resignation' (where employees voluntarily resigned from their jobs en masse, starting in 2021) has triggered record numbers of job vacancies[6]. This means companies have to work harder than ever to win over candidates and hold on to employees. At the same time, employers are keen to get teams back into the office so that they can collaborate, bounce ideas off each other and support and train new joiners. It is therefore crucial for employers to provide an office environment that competes with people's homes for comfort and convenience.

WHAT THIS MEANS FOR WORKSPACE
A key component to our offer is enabling businesses to personalise their space and reflect their brand identity and culture – something we have seen customers increasingly embrace over the past year. At Parma House, for example, our customer Treasure Tress erected feature walls in their signature brand colours and created expansive communal breakouts, while Afrocenchix fitted their space with separate 'relaxation' and silent 'deep-working' areas.

Ownership of our buildings means we have complete control over the customer experience and can continuously evolve our product. We directly interact with our customers and take the time to understand their expectations, as well as analysing data to understand how our buildings are used. This feedback informs improvement through our continuous pipeline of refurbishments and redevelopments, adding in-demand amenities such high-quality cafés, bike storage, roof terraces and meeting rooms.

40%
increase in number of job vacancies between November 2021 and January 2022[7]


Kennington Park, Oval

OUR RESPONSE TO MARKET TRENDS CONTINUED

4 Demand for flexible space is spreading across less established London areas and beyond, as customers shun long commutes

Our advertising campaign on bus sides

In a Hubble survey, 79% of respondents said that the greatest benefit of working from home is avoiding the commute[8]. Businesses are looking at ways to reduce their employees' commute times, searching for locations beyond traditional central London office destinations. At Workspace, we have seen a marked increase in enquiries for space in all locations.

WHAT THIS MEANS FOR WORKSPACE

We have some 60 London locations spread across the capital: well-located, characterful buildings that are destinations in their own right. Throughout 2022 so far, we have seen increasing levels of occupancy – reaching 89.6% in March.

We also continue to invest in growing this footprint and the range of options for existing and prospective customers, having purchased McKay Securities PLC in May 2022. With its extensive portfolio of properties, the acquisition expands our reach in the capital and beyond – to a number of well-connected locations in the South-East such as Reading, Woking and Redhill.

31

new properties added to our portfolio as part of the McKay acquisition in May 2022

5 Net zero carbon commitments are now mainstream

The built environment contributes around 40% of the UK's total carbon footprint[9]. COP26 shone a welcome spotlight on the urgent need for the building sector to drive its emissions down, and subsequently the top 20% of the world's largest real estate firms made a net zero commitment, encompassing more than £1.2 trillion of assets under management[10]. Meanwhile, a significant number of the UK's SMEs also pledged to take part in the UN's Race to Zero campaign, following COP26.

WHAT THIS MEANS FOR WORKSPACE

Our Head of Sustainability, Sonal Jain, is an adviser for the UN's Climate Champions built environment team and has set ambitious 2030 net zero targets for Workspace.

We are actively investing across our standing portfolio and have reduced our scope 1 and 2 emissions by 20% since 2019/20. We procure 100% of electricity from renewables and are leading with a net zero brief across our development activities. Our focus on refurbishment – rather than demolishing buildings – means we are able to reduce embodied carbon of our buildings significantly, making our refurbishments up to 77% more efficient compared to standard new builds.

8. Hubble HQ's 'Should We Ditch the Office' survey, January 2022.
9. UK Green Building Council research, November 2021.
10. Race To Zero website, October 2021.

77%

Our refurbishments are up to 77% more energy efficient compared to standard new builds

Workspace's electric taxi

CASE STUDY

Quell Tech

Quell Tech, a start-up gamifying at-home workouts, joined the Workspace community at the beginning of the pandemic in 2020. The idea of Quell's VR platform is that players attach a harness-like controller to their torso and arms to navigate the gaming world, helping them punch and move around in the game. The workout can then be customised with resistance bands to increase the intensity of the exercise.

Quell calls itself "Peloton meets gaming" and charges a monthly fee to keep content fresh.

So far, the company has raised £2.4m over the course of two funding rounds. With interest in the budding company growing, they have continued to expand their team over the past two years, increasing their space requirements at our Kennington Park building in Oval. Quell started with a small office in 2020 and has since tripled the size of its space, across two separate units.

> **Our team has expanded really quickly over the past two years. Workspace's flexibility has been a perfect fit for us, allowing us to take bigger space as and when we need it.**

Lorenzo Spreafico
Quell's COO and Co-Founder

x3

Quell has tripled the size of its space in two years

Quell Tech, Kennington Park

OUR STRATEGY

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

KEY PERFORMANCE INDICATORS

There are clear links between our KPIs and our strategy. Regular measurement of our KPIs ensures we maintain discipline in strategic decisions.

Read more, Page 54

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management is an integral part of all our activities. We focus on key risks that could impact the achievement of our strategic goals.

Read more, Page 59

Our strategy is driven by our purpose

Our strategy is clear and directly linked to our purpose; to give businesses the freedom to grow.
It prioritises our customers and the experience we provide them to support long-term advocacy and demand.
Our operational platform is a critical part of our strategy and gives us a unique competitive advantage, while our focus on sustainability future proofs our business.

The three pillars of our strategy set out on the right and on the following pages keep us focused on creating long-term value for all our stakeholders.

Driving customer-led growth...

Our vision is to be the home to London's brightest businesses and our growth plans are dependent on the strong SME demand for our flexible offer and the customer experience we deliver.

Read more, Page 33

...and delivering operational excellence...

Our in-house platform means we have a uniquely scalable business. We actively manage our portfolio to deliver returns through like-for-like growth, projects, acquisitions and disposals, while maintaining a prudent approach to financing.

Read more, Page 34

...whilst always being sustainable.

We view every aspect of our business through a sustainability lens. Our aim is to create a climate-resilient portfolio, to continue to prioritise and look after our people and to have a positive impact on our local communities.

Read more, Page 35

OUR STRATEGY CONTINUED

Driving customer-led **growth**...

RELEVANT KPIS
FINANCIAL PERFORMANCE
1, 5, 6

NON-FINANCIAL PERFORMANCE
1, 2, 3, 4, 5

Page 54

RELEVANT PRINCIPAL RISKS AND UNCERTAINTIES
1, 2, 3, 4, 7

Page 59

CEMENT OUR POSITION AS HOME TO LONDON'S BRIGHTEST BUSINESSES

KEY PRIORITIES
- Reinforce our differentiated customer proposition to capture demand and grow market share
- Raise our profile amongst target customers and stakeholders

2021/22 KEY ACHIEVEMENTS
- Launched brand campaign to raise awareness of our differentiated offer, including digital and out-of-home advertising
- Like-for-like occupancy improved to nearly 90% at the year end
- 11,000 enquiries and 7,000 viewings in the year
- £30m of lettings agreed

2022/23 AIMS
- Continue to invest in our brand to enhance our visibility and profile
- Expand our customer events programme

CONTINUALLY ENHANCE CUSTOMER EXPERIENCE

KEY PRIORITIES
- Continue to improve our flexible offer and service to retain customers and support occupancy
- Focus on customer service, with centre teams creating vibrant communities

2021/22 KEY ACHIEVEMENTS
- Mapped out the customer journey, highlighting areas for improvement
- Customer-first training rolled out to every Workspace employee through the year

2022/23 AIMS
- Refine the customer journey
- Ongoing improvement of cafés across our portfolio, including our own in-house coffee shops at a growing number of properties

LEADING IN LONDON'S FLEXIBLE OFFICE MARKET

KEY PRIORITIES
- Grow our portfolio of historic and character properties in the right locations

2021/22 KEY ACHIEVEMENTS
- Launched brand new business centre, Mirror Works in Stratford
- Completed the refurbishments of Pall Mall Deposit and Barley Mow Centre in West London
- Acquired two new properties, The Old Dairy in Shoreditch and Busworks in Islington

2022/23 AIMS
- Drive occupancy across our new refurbishments and acquisitions
- Integration of McKay

OUR STRATEGY CONTINUED

...and delivering operational **excellence...**

RELEVANT KPIS

FINANCIAL PERFORMANCE

1, 2, 3, 4, 5, 6, 7, 8, 9

NON-FINANCIAL PERFORMANCE

1, 2, 3, 4, 5

Page 54

RELEVANT PRINCIPAL RISKS AND UNCERTAINTIES

1, 5, 7

Page 59

ACTIVE PORTFOLIO MANAGEMENT

KEY PRIORITIES
- Continue to execute our rolling pipeline of refurbishment and redevelopment projects
- Maintain our deep knowledge of the London market to drive acquisition and disposal decisions

2021/22 KEY ACHIEVEMENTS
- Initiated refurbishment of Leroy House in Islington
- Refurbished 70,000 sq. ft. of space across the portfolio, including Mirror Works in Stratford, and The Light Bulb and Pall Mall in West London
- Sale of Fitzroy Street in Fitzrovia and Highway Business Park in Limehouse

2022/23 AIMS
- Obtain planning consent for Havelock Terrace in Battersea and Morie Street Studios in Wandsworth
- Progress refurbishments pipeline, including Leroy House in Islington, Salisbury House in Moorgate, Kennington Park in Oval and Riverside in Wandsworth
- Maximise value of McKay portfolio

EFFICIENT, SCALABLE OPERATING PLATFORM

KEY PRIORITIES
- In-house capability and expertise drives income growth
- Focus on innovation and technology
- Ability to scale without significant cost growth

2021/22 KEY ACHIEVEMENTS
- New Leasing team structure, streamlining the customer experience
- Completed trial of inclusive billing at 30 properties, which was well received by customers

2022/23 AIMS
- Roll out inclusive billing across the portfolio
- Upgrade Wi-Fi across the portfolio to enhance customer connectivity
- Optimise digital marketing capability

PRUDENT FINANCING AND STRICT INVESTMENT CRITERIA

KEY PRIORITIES
- Maintain strong balance sheet
- Strict focus on returns
- Disciplined approach to gearing

2021/22 KEY ACHIEVEMENTS
- Refinancing the ESG-linked Revolving Credit Facility
- Putting in place an acquisition facility for McKay
- Reporting on our allocation of assets under our Green Finance Framework

2022/23 AIMS
- Restructure McKay debt
- Improve credit metrics
- Recycle capital to reduce gearing

OUR STRATEGY CONTINUED

...whilst always being **sustainable**.

RELEVANT KPIS
FINANCIAL PERFORMANCE
7, 8

NON-FINANCIAL PERFORMANCE
6

Pages 56 to 58

RELEVANT PRINCIPAL RISKS AND UNCERTAINTIES
3, 7, 8, 9

Pages 63 to 66

Note: A full list of our sustainability targets and performance is covered on pages 35 to 53

DELIVERING A CLIMATE-RESILIENT PORTFOLIO

KEY PRIORITIES
- Drive energy efficiency across the portfolio and reduce GHG emissions in line with our net zero carbon pathway
- Assess climate risk across the portfolio and create strategy to mitigate material risk
- Drive resource efficiency and improve waste management across our portfolio
- Achieve high environmental standards across all development and refurbishment activities

2021/22 KEY ACHIEVEMENTS
- Achieved 5% reduction in scope 1 emissions and 27% reduction in scope 2 emissions from a 2019/20 baseline
- On track to achieve 40–70% reduction in embodied carbon of current projects
- 3 projects delivered with BREEAM and EPC A/B
- 100% renewable electricity procured
- Achieved 75% recycling rate
- Assessed climate risk across the portfolio and identified mitigation actions

2022/23 AIMS
- Drive further improvement in energy efficiency across the portfolio
- Decarbonise heat across the portfolio
- Innovate to reduce embodied carbon
- Enhance biodiversity of development and refurbishment projects

LOOKING AFTER OUR PEOPLE

KEY PRIORITIES
- Roll out sustainability training to all employees
- Support career growth and professional development of employees
- Enhance the wellbeing of our employees and customers
- Become Living Wage compliant for employees and contractors
- Map sustainability risk across the supply chain
- Enhance customer engagement on sustainability

2021/22 KEY ACHIEVEMENTS
- 100% of staff trained on sustainability
- 17 people sponsored for professional accreditation courses, worth £65K
- 48 wellbeing initiatives organised, reaching over 900 people
- Achieved Living Wage accreditation
- 2/3rd of customers agree we are a socially & environmentally responsible business

2022/23 AIMS
- Enhance the wellbeing programme
- Focus on widening access to profession
- Greater adoption of sustainability KPIs across all teams' objectives
- Encourage sustainability improvements within the supply chain

SUPPORTING OUR COMMUNITIES

KEY PRIORITIES
- Support our charity partner Single Homeless Project (SHP)
- Offer employees three paid volunteering days
- Refresh our InspiresMe community impact programme to support employment skills in our buildings' local areas
- Create a social impact framework to assess social value generated through our business operations and portfolio

2021/22 KEY ACHIEVEMENTS
- £100K raised for SHP, reaching 550 beneficiaries
- 540 volunteering hours delivered
- InspiresMe taskforce established to deliver the pilot in one of our centres
- Social impact framework created and piloted on Lock Studios

2022/23 AIMS
- Enhance the impact of our work with SHP
- Roll out InspiresMe across select centres
- Use social impact framework to monitor and enhance social value generated

SUSTAINABILITY

As home to London's brightest businesses, as custodians of some of the most iconic buildings in London and as a responsible employer, we fully believe that sustainability is crucial to the long-term success of Workspace.

Sonal Jain
Head of Sustainability

SUSTAINABILITY CONTINUED

Highlights

48
wellbeing-related events organised, reaching over 900 people

5 Star
GRESB 5 Star score, highest rating achievable

100%
of employees trained on sustainability

£100K
raised for Single Homeless Project, supporting 550 young and vulnerable people

66%
of customers agree that Workspace is a socially and environmentally responsible business

540
volunteering hours delivered by employees

£200m
Completed a £200m revolving credit facility agreement, linking the margin to our sustainability targets

20%
Scope 1 and 2 emissions reduced by 20% since 2019/20

28%
of portfolio rated EPC A/B

18
buildings are BREEAM certified

£11.05
London Living Wage hourly rate paid to our employees and contractors

RATINGS & MEMBERSHIPS

RATINGS

GRESB 2021

87
Real Estate Assessment Score

93
Development Assessment Score

A
Public Disclosure Score

CDP Discloser 2021

A-
and supplier engagement leader

EPRA sBPR Gold

GOLD
EPRA Sustainability Best Practice Recommendations Award

MSCI ESG Ratings AA

AA
MSCI ESG rating

Sustainalytics

Low Risk
Sustainalytics ESG Risk Rating

FTSE4Good

3.0
absolute rating out of 5

MEMBERSHIPS

UK GBC

BPF British Property Federation

BBP Better Buildings Partnership

Islington Sustainable Energy Partnership Member

SUSTAINABILITY CONTINUED

Our approach

We have a fully embedded approach to sustainability, covering both our portfolio and all business-wide strategic decisions.

Through our three-pillar sustainability strategy – Delivering a climate-resilient portfolio, Looking after our people, Supporting our communities, we ensure we are continually improving our environmental and social impact, whilst adding value to all our stakeholders. We have also mapped our strategy against the UN Sustainable Development Goals (SDGs) to ensure our objectives and targets are aligned with global ambitions (see page 39)

1 Delivering a climate-resilient portfolio

Page 40

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

Page 47

SDGs

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

3 Supporting our communities

Page 51

SDGs

4 Quality education; 10 Reduced inequalities

GOVERNANCE

The highest level of responsibility for our sustainability strategy lies with our Chief Executive Officer and together with the rest of the Workspace Board, the group acts as a guardian of the strategy. In addition, an ESG Board Committee has been established to provide added focus and drive further integration across business decisions. The Board is supported by the Executive team in setting and driving our sustainability strategy. At an operational level, we have an environmental sustainability and a social sustainability committee, comprising senior representatives from across the business departments. The two committees are responsible for operationalising the delivery of our strategy. Progress is reported to the Board and Executive team monthly. We also have a number of sustainability champions across the business who help mobilise ground-up support.

MATERIALITY

Our sustainability strategy is driven by the key environmental and social issues that are most material to the business. Each year we revisit our material issues to ensure we are capturing the themes that are most relevant to our business and our value chain. Focusing on our material issues also helps us prioritise efforts where we can have maximum impact. Whilst energy, carbon and waste continue to be material for the business, we are also actively working towards improving our impact in a number of other areas such as urban greenery, wellbeing, prosperous neighbourhoods, employment and skills.

SUSTAINABILITY CONTINUED

Alignment to UN SDGs

Through our sustainability strategy we are helping address the following UN Sustainable Development Goals (SDGs)

KEY TO STAKEHOLDERS

- Our customers
- Our people
- Our investors
- Our partners and suppliers
- Our communities
- The environment

AFFORDABLE AND CLEAN ENERGY

STAKEHOLDERS

Our investment in on-site renewable energy through the installation of roof-mounted solar panels across our portfolio ensures we are generating clean power. We also source 100% of our electricity from renewable sources, through our REGO certified green contract.

SUSTAINABLE CITIES AND COMMUNITIES

STAKEHOLDERS

As custodian of some of London's most iconic buildings, we work to reduce the environmental impact of London's built environment and build resilience for the long term. This is delivered through sustainable design, construction and operations of all our buildings.

CLIMATE ACTION

STAKEHOLDERS

The delivery of our 2030 net zero carbon commitment ensures we are decarbonising our business swiftly and thus playing our part in limiting global warming to 1.5°C.

GENDER EQUALITY

STAKEHOLDERS

Our people practices actively support gender equality, including the use of gender-neutral language in all our policies and recruitment material. All our people have been trained on unconscious bias and we strive to create a truly inclusive work environment. We work hard to identify and address gaps within existing workplace policies, as well as offering professional development opportunities to all our employees.

QUALITY EDUCATION

STAKEHOLDERS

Through our InspiresMe programme, we work alongside our customers to provide inspiration, knowledge, support and experience to individuals within our communities who are most at risk of NEET (Not in Education, Employment or Training) and help them to reach their full potential.

INDUSTRY, INNOVATION AND INFRASTRUCTURE

STAKEHOLDERS

Through our investment in clean technology and materials we are reducing our environmental impact and also driving innovation in the industry.

RESPONSIBLE CONSUMPTION AND PRODUCTION

STAKEHOLDERS

Through investment in energy efficient equipment and effective management, we ensure our consumption of energy is optimised. We also work hard to reduce waste in operations and construction, aiming to divert 100% from landfill.

GOOD HEALTH AND WELL-BEING

STAKEHOLDERS

Provision of safe and healthy workplaces for our employees and customers is paramount. We do this by ensuring health and wellbeing considerations are fully incorporated into our building design. We also run an extensive wellbeing support programme for all our employees and customers.

DECENT WORK AND ECONOMIC GROWTH

STAKEHOLDERS

We provide quality flexible space for SMEs across London. Our model also creates hubs of economic activity that benefit entire communities through employment-led regeneration of the area. We are also an accredited Living Wage Employer, ensuring that all our employees and contractors are paid at Real London Living Wage.

REDUCED INEQUALITY

STAKEHOLDERS

Our InspiresMe programme aims to tackle youth unemployment and the ethnicity gap by building relationships with schools and youth organisations across London to offer work experience placements, career talks, CV workshops and interview practices.

SUSTAINABILITY CONTINUED

1

Delivering a climate-resilient portfolio

Climate change mitigation and resilience is a cornerstone of our sustainability strategy. Through minimising environmental impact and transitioning to net zero carbon by 2030, we are future proofing our business and building resilience for the long term.

Achieving a net zero carbon portfolio

In 2019 we made a commitment to achieving net zero carbon by 2030. To ensure our net zero goal is robust and in line with a 1.5°C future, our emissions reduction trajectory is aligned with our approved Science-Based Targets* (SBT) and covers both our operational and embodied carbon emissions.

PERFORMANCE

On Target

Through ongoing investment in energy efficiency and decarbonisation of our portfolio, we have made significant progress on our net zero pathway. We have reduced our scope 1 emissions by 5% and scope 2 emissions by 27% in 2021/22, against our 2019/20 baseline.

A significant proportion of our scope 3 emissions comes from the embodied carbon in our refurbishment and development activities. Our projects this year are estimated to be 40–70% less carbon intensive than industry benchmark on embodied carbon. A detailed breakdown of our Greenhouse Gas (GHG) emissions can be found on page 91.

* Our Science Based Targets:
- Reduce absolute scope 1 emissions 42% by 2030, from a 2020 base year
- Reduce scope 3 emissions from capital goods 20% per square foot NLA by 2030, from a 2020 base year
- Continue sourcing 100% renewable electricity through to 2030

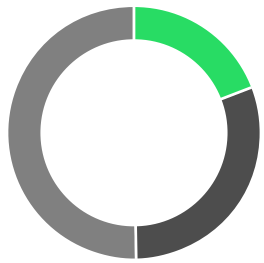
OUR CARBON FOOTPRINT

Our total carbon footprint in 2021/22 was 16,992 tonnes of CO_2e (equivalent of annual energy use of over 5,300 households in the UK). This comprises of emissions from business and value chain activities, in accordance with GHG protocol standard. Our scope 1 and 2 emissions, equating to 50% of total emissions, correspond to the operational emissions that we have full control over. We aim to go beyond our Science-Based Targets and fully eliminate those operational emissions by 2030, with no reliance on offsetting. For our scope 3 emissions, equating to 50% of our total emissions, a significant proportion is attributed to our refurbishment and development activities and therefore reducing embodied carbon of our buildings is a key priority for us. We will offset any residual scope 3 emissions to get to net zero by 2030.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

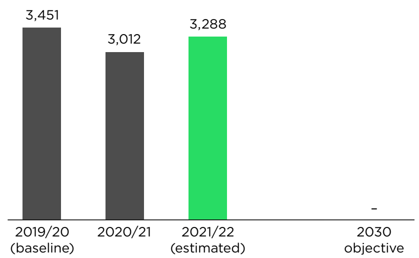
We will become a net zero carbon business by 2030

LOCATION-BASED SCOPE 1, 2, 3 GHG EMISSIONS (tCO_2e)

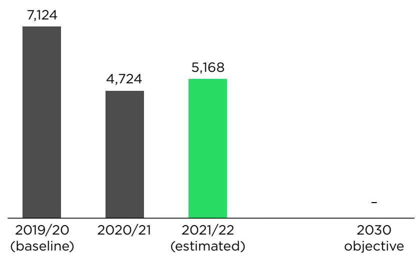


Scope 1	3,288
Scope 2	5,168
Scope 3	8,535

SCOPE 1 GHG EMISSIONS (tCO_2e)



SCOPE 2 GHG EMISSIONS (tCO_2e)



SUSTAINABILITY CONTINUED

DELIVERING A CLIMATE-RESILIENT PORTFOLIO CONTINUED

OUR NET ZERO CARBON PATHWAY

Our decarbonisation pathway is underpinned by four workstreams, each comprising of interim milestones that we have set to ensure we are tackling all the material sources of emissions and regularly tracking progress on our net zero journey.

We expect to fully eliminate our scope 1 and 2 emissions and offset only residual scope 3 emissions by 2030 (i.e. embodied carbon from our development activity). We will also continue to verify our GHG emissions to ensure our data is complete, consistent and transparent. We will be creating an offsetting strategy for the business to ensure we are investing in credible and impactful projects that remove carbon from the atmosphere.

OBJECTIVE
Energy reduction

Aim to achieve an energy intensity of 90 kWhe/m² NLA for whole building*

PERFORMANCE
On Track

- The average energy intensity of the portfolio is 116 kWhe/m² NLA, 28% better than current UKGBC target
- 15 assets already meet 2030 UKGBC target, demonstrating high levels of energy performance
- We have implemented over 30 energy efficiency projects across the portfolio (c. £2m CAPEX), including the installation of smart building management system, LED lighting, controls, and high efficiency heat pumps
- The energy efficiency upgrade programme has also ensured we are on track to meet the upcoming requirement to achieve EPC A/B by 2030 (see page 44)
- We are running engagement campaigns with our customers to collectively drive energy consumption down

* Recommended 2030 energy intensity target for net zero carbon buildings (source: UKGBC)

OBJECTIVE
Heat decarbonisation

Eliminate fossil fuel consumption

PERFORMANCE
On Track

- The average gas use intensity of the portfolio is 50 kWh/m² NLA, which is 21% better than the Real Estate Environmental Benchmark (REEB) for typical UK offices
- 27% of the portfolio uses district heating or electric heat pumps
- Partial upgrades of heating systems to heat pumps have been completed across 62% of the portfolio

Screenworks Building: £1.6m invested on heatpump installation across 5 floors

OBJECTIVE
Renewable procurement

Continue to source 100% renewable electricity

PERFORMANCE
On Track

- 100% of the portfolio's electricity is procured from renewable sources
- We are engaging with customers who procure their own energy to gain visibility of consumption and encourage renewable procurement
- 13 sites have on-site solar panels, and we are implementing 208 kWp worth of additional solar panel capacity across three assets

Customer environmental group at Kennington Park

OBJECTIVE
Embodied carbon

Aim to achieve embodied carbon intensity of 600 $kgCO_2/m^2$ for our development and refurbishment projects**

PERFORMANCE
On Track

- Whole-life carbon analysis undertaken on all refurbishment and development projects, to inform improvement opportunities in design and construction process
- Significantly reduced embodied carbon intensity of Leroy House refurbishment to 230 $kgCO_2/m^2$ (77% better than current benchmark of 1000 $kgCO_2/m^2$)
- Achieved 64% reduction in GHG emissions from capital goods per sq. ft. NLA from a 2019/20 base year

** Recommended 2020 embodied carbon target for net zero carbon buildings (source: London Energy Transformation Initiative)

SUSTAINABILITY CONTINUED

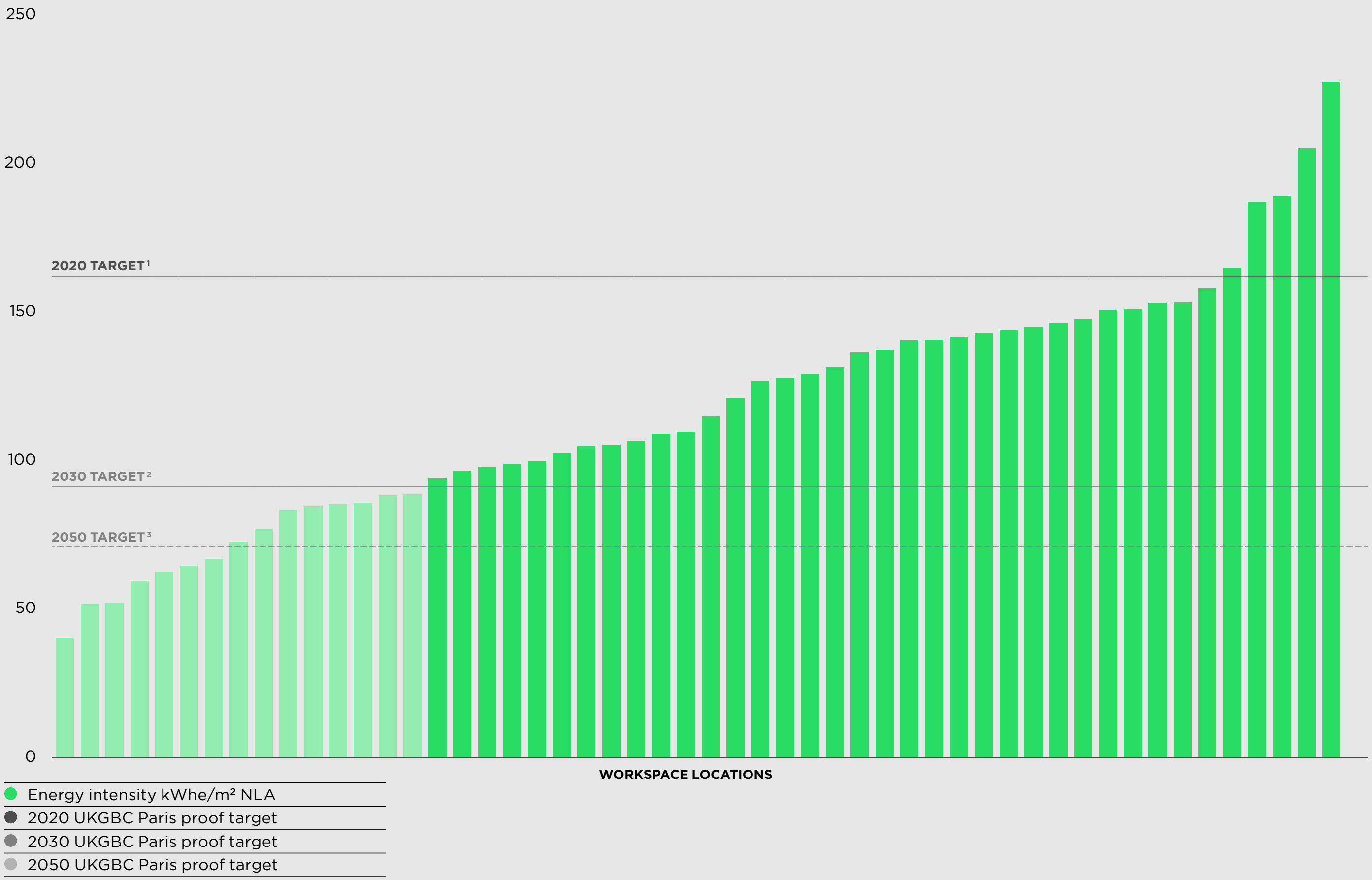
DELIVERING A CLIMATE-RESILIENT PORTFOLIO CONTINUED

OUR NET ZERO CARBON PATHWAY CONTINUED

Driving energy reduction across the portfolio

Our net zero journey starts by focusing on energy reduction across the portfolio. Our investment in energy efficiency upgrades across the portfolio and our ongoing energy monitoring programme has meant the average energy intensity of our portfolio is currently at 116 kWhe/m² NLA. The graph on the right shows the energy intensity of all the buildings in the Workspace portfolio, demonstrating the high energy performance when compared to UKGBC Paris proof targets. All buildings except five, already meet the 2020 target and 15 buildings are already performing better than the 2030 target. We are hence prioritising energy efficiency improvements in the rest of the portfolio.

CURRENT PORTFOLIO SNAPSHOT*
WHOLE BUILDING ENERGY INTENSITY (kWhe/m² NLA)



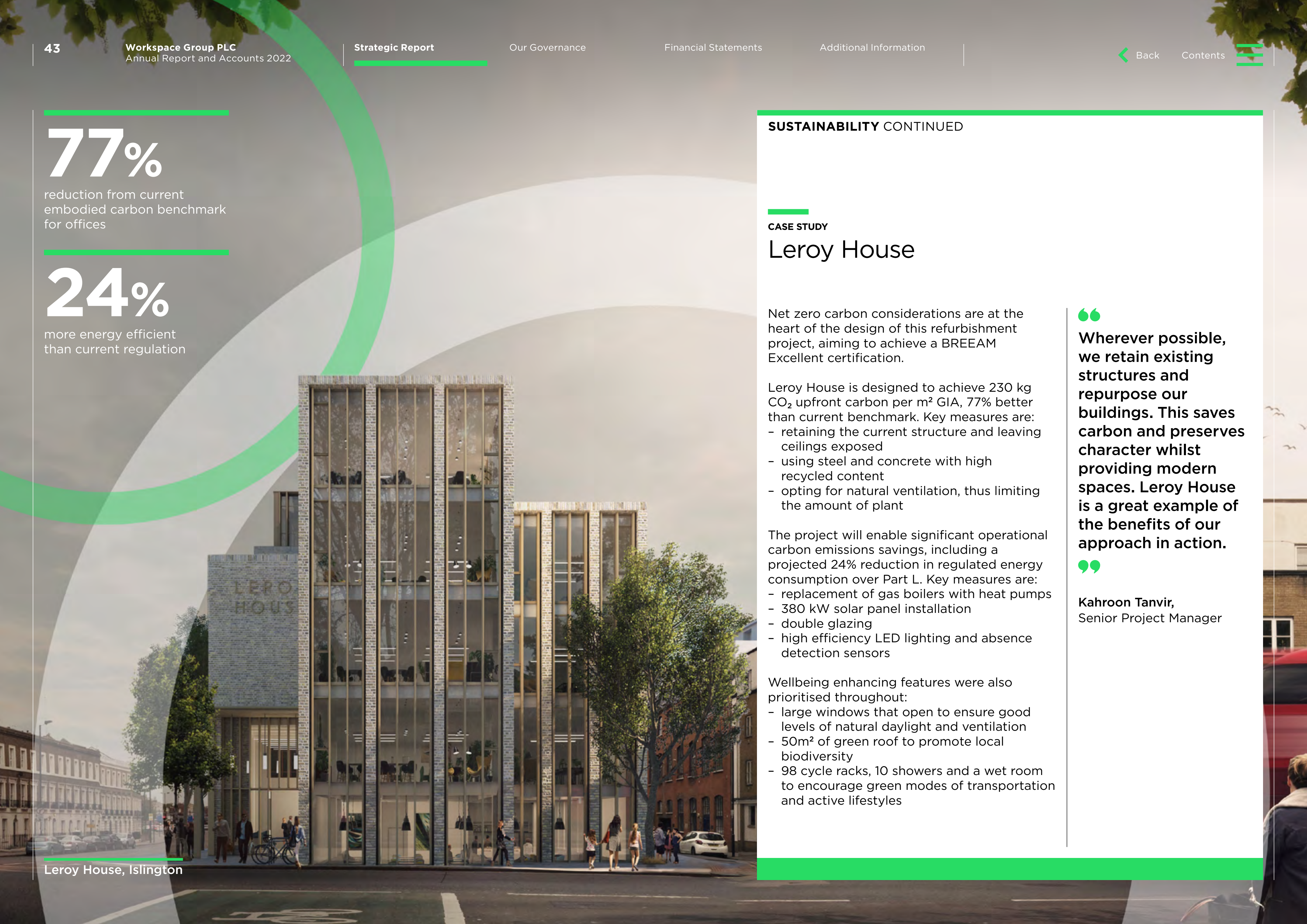
*Excludes McKay portfolio

CASE STUDY
BARLEY MOW

Barley Mow has seen several energy efficiency improvements over the years, starting with the installation of a smart building system in 2016, which led to a 20% decrease in energy consumption in one year.

Unit refurbishment works have been undertaken in phases since 2019 and included LED lighting upgrades, insulation and glazing enhancements as well as installation of heatpumps, leading to a further 33% decrease in energy consumption.

Last year's refurbishment works covered 17 units (10,019 sq. ft.) as well as the common parts and led to EPC upgrades from a D rating to a B rating and are expected to yield further energy savings.



77%
reduction from current embodied carbon benchmark for offices

24%
more energy efficient than current regulation

Leroy House, Islington

SUSTAINABILITY CONTINUED

CASE STUDY

Leroy House

Net zero carbon considerations are at the heart of the design of this refurbishment project, aiming to achieve a BREEAM Excellent certification.

Leroy House is designed to achieve 230 kg CO_2 upfront carbon per m² GIA, 77% better than current benchmark. Key measures are:
- retaining the current structure and leaving ceilings exposed
- using steel and concrete with high recycled content
- opting for natural ventilation, thus limiting the amount of plant

The project will enable significant operational carbon emissions savings, including a projected 24% reduction in regulated energy consumption over Part L. Key measures are:
- replacement of gas boilers with heat pumps
- 380 kW solar panel installation
- double glazing
- high efficiency LED lighting and absence detection sensors

Wellbeing enhancing features were also prioritised throughout:
- large windows that open to ensure good levels of natural daylight and ventilation
- 50m² of green roof to promote local biodiversity
- 98 cycle racks, 10 showers and a wet room to encourage green modes of transportation and active lifestyles

> **Wherever possible, we retain existing structures and repurpose our buildings. This saves carbon and preserves character whilst providing modern spaces. Leroy House is a great example of the benefits of our approach in action.**

Kahroon Tanvir,
Senior Project Manager

SUSTAINABILITY CONTINUED

DELIVERING A CLIMATE-RESILIENT PORTFOLIO CONTINUED

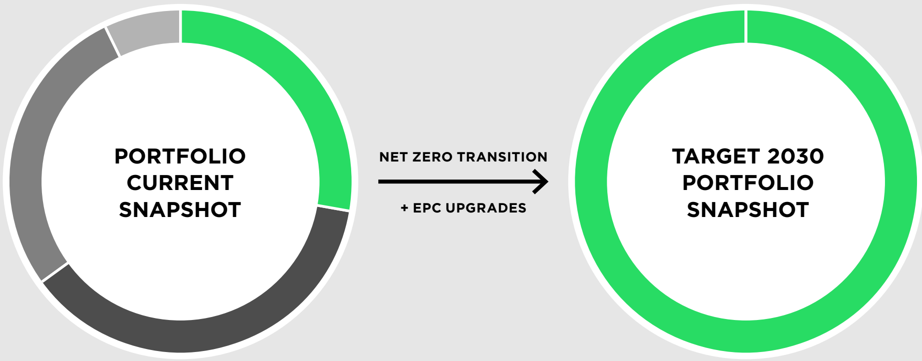
INVESTMENT PLAN: ENERGY PERFORMANCE CERTIFICATE (EPC)

Focusing on the energy efficiency of our existing portfolio is key to helping us achieve net zero carbon. We welcome the Government's plan to increase the requirement for all commercial buildings to achieve EPC B by 2030.

Our long term investment in energy efficiency upgrades has meant our portfolio is in good shape, with nearly two thirds of the portfolio by area being EPC A/B and C. For the remaining portfolio, the delivery of our net zero pathway workstreams will bring EPCs to a minimum of B, ensuring by 2030 our portfolio is net zero carbon and EPC A/B.

Based on the projects we have already delivered, we estimate the total investment needed to upgrade our portfolio to EPC A/B by 2030 will be c. £35–47m (c. £5m a year). However, the actual additional investment needed each year will be lower as part of this expenditure is covered by our ongoing maintenance capex.

EPC BREAKDOWN BY AREA



Portfolio current snapshot	
A/B	28%
C	37%
D	28%
E	7%

Target 2030 portfolio snapshot	
A/B	100%

Total cost of EPC upgrades

£35–47m (c. £5m p.a)

CASE STUDY
EPC UPGRADES

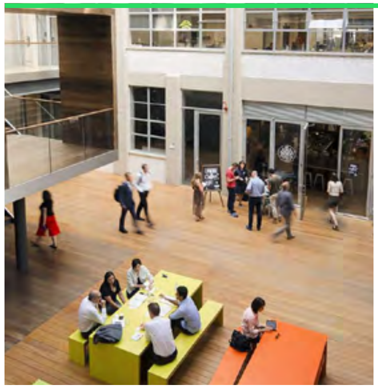
Below are examples of how we are upgrading EPC across our portfolio, unit by unit.

The Old Dairy, Shoreditch

EPC C to B
4,000 sq. ft. project

- LED lighting

£12,000



Metal Box Factory, Southwark

EPC D to B
3,000 sq. ft. project

- LED Lighting
- Secondary glazing

£76,000

SUSTAINABILITY CONTINUED

DELIVERING A CLIMATE-RESILIENT PORTFOLIO CONTINUED

Driving environmental impact

CASE STUDY

IMPLEMENTING THE SUSTAINABLE DEVELOPMENT FRAMEWORK: RIVERSIDE BUILDING IN WANDSWORTH

40%
less embodied carbon than industry standard

90
kWhe/m² energy intensity

This redevelopment is aiming to achieve an A rated EPC, an "Excellent" BREEAM certification, a 2-Star Fitwel rating whilst generating no more than 600kCO_2/m² in embodied carbon and operating at a 90 kWhe/m² energy intensity.

OBJECTIVE

Create a sustainable development framework setting minimum environmental, social, biodiversity and wellbeing targets for all major projects

PERFORMANCE

Achieved

A comprehensive sustainable development framework was created, taking into account all the material sustainability issues that we need to address through our development and refurbishment activities. To support the implementation of our net zero carbon commitment, the framework is designed to guide the project team across all stages of design and construction, setting minimum and stretch targets across a number of themes such as energy, carbon, waste, circular economy, health and wellbeing, biodiversity, climate resilience and social value.

OBJECTIVE

Achieve EPC A and BREEAM Excellent for all major developments (EPC B for refurbishments)

PERFORMANCE

Achieved

Over 30% of our portfolio (18 buildings) now have a BREEAM rating and 28% of our portfolio by floor area have A or B rated EPCs. This year we delivered Mirror Works and the second phase of Light Bulb which both achieved a BREEAM Excellent rating and EPC A. Our partial refurbishment of Pall Mall achieved BREEAM Very Good (due to constraints with a pre-existing heating system) and mix of EPC A/B. On all our major projects we also achieved a Considerate Constructor score of 38, diverted over 95% of construction waste from landfill and sourced over 95% of timber from FSC.

Mirror Works redevelopment, BREEAM Excellent, EPC A

OBJECTIVE

Assess climate risk across the portfolio and create a strategy to mitigate material risk

PERFORMANCE

Achieved

We continued to use the TCFD framework to build on our understanding of climate risk and opportunities. We conducted an in-depth analysis of physical and transition risk across the business using multiple climate scenarios. Refer to page 81 for full disclosure on our climate risk assessment and mitigation strategy, in line with TCFD guidelines.

SUSTAINABILITY CONTINUED

DELIVERING A CLIMATE-RESILIENT PORTFOLIO CONTINUED

OBJECTIVE
Divert 100% of waste from landfill and achieve a recycling rate of greater than 76%

PERFORMANCE
Rolled over

Through our partnerships with our waste contractors, we were able to successfully divert 100% of waste from landfill. We were also able to increase the recycling rate across the portfolio, achieving a yearly average of 75%, missing our target only by a slight margin due to ongoing challenges with the pandemic. To improve our waste performance, we have initiated a targeted programme of waste audits and customer engagement campaigns to increase recycling awareness. We have also initiated an audit of all our cafés to eliminate single-use plastic being used in our portfolio.

Recycling awareness event at Parkhall, Dulwich

OBJECTIVE
Conduct a biodiversity audit of the portfolio to inform improvement opportunities

PERFORMANCE
Achieved

11 of our sites already have green roofs and on-site greenery, where applicable. To further increase provision of on-site green infrastructure, we conducted audits of Kennington Park and Vox Studios. Recommendations from the site visits are being considered for implementation.

We have also set an ambition of exceeding 10% biodiversity net gain across all our major development and refurbishment projects.

Green roof at Edinburgh House

OBJECTIVE
Enhance green travel infrastructure across the portfolio

PERFORMANCE
Achieved

To ensure we support our customers to switch to greener modes of transport, we are continually upgrading the facilities across the portfolio. In the past year, we installed 76 additional cycling racks and 15 showers. We also installed 12 electric vehicle charging points across three of our centres (Leather Market, Parkhall and Westbourne Studios).

Newly installed electric vehicle charging points at Leather Market

Looking forward

As a business, we take our environmental impact seriously and playing our part to limit global warming to 1.5°C is an absolute priority for us. We are proud of the progress we have already made on our net zero pathway and our focus will continue to be on rapid decarbonisation of our portfolio. This includes the roll out of heat pumps, EPC and energy efficiency upgrades of our customer units and optimising embodied carbon in our current development projects. In parallel, we are also working on building resilience within our portfolio to mitigate climate hazards due to changing temperatures.

Our focus is also going to be on adding more greenery and enhancing biodiversity across the portfolio, as there are multiple benefits including climate adaptation, customer wellbeing, air quality and portfolio attractiveness.

SUSTAINABILITY CONTINUED

2

Looking after our people

Supporting our employees, customers and suppliers is a key priority. Through our focus on wellbeing, upskilling, engagement, fairness and creating a culture which is diverse and inclusive, we are supporting our people to achieve their best.

OBJECTIVE

Roll out mandatory sustainability training to all employees to equip them with the relevant skills and knowledge

PERFORMANCE

Achieved

We rolled out bespoke sustainability training to all our employees. The objective of the training was to raise awareness on sustainability issues, provide an update on Workspace's strategy and increase engagement and participation on our sustainability initiatives. A total of 247 hours of sustainability training was delivered, reaching all employees. Further, 17 employees also completed the leading sustainability training offered by BBP.

I really enjoyed the sustainability training and came away from it with a better understanding of Workspace's strategy. On a personal level, I am now mindful of checking labels, being less wasteful and limiting my meat consumption.

Simone Edwards
Receptionist at Kennington Park

OBJECTIVE

Enhance professional development training curriculum to support employee attraction and retention

PERFORMANCE

Achieved

We have redesigned the appraisal process to include personal development plans which are then supported by line managers. This year we sponsored 17 employees to undertake professional accreditations and higher education courses (worth £65,040). We also rolled out a number of bespoke training courses to support our employees with their skill building, including 540 hours of customer-first training, 54 hours of people management training and 92 hours of conflict resolution training.

933
hours of training

CASE STUDY

CAREER PROGRESSION

17
employees sponsored for higher education courses and accreditations

"Undertaking a Masters in Security and Risk Management allows me to develop my academic knowledge on this topic whilst strengthening my professional skills and abilities. I am confident this will help advance my career to the next level."

Darren Baker,
Head of Security and Risk Management

SUSTAINABILITY CONTINUED

LOOKING AFTER OUR PEOPLE CONTINUED

OBJECTIVE

Implement a new recruitment policy to ensure we provide equal opportunities for all and embed a culture of diversity and inclusion by rolling out unconscious bias and harassment awareness training to all employees

PERFORMANCE

Rolled over

We have hired a recruitment manager who is in the process of launching the new recruitment policy to ensure we provide equal opportunities to all. We will be rolling out inclusive recruitment training to all the line managers with the launch of the policy. We have also piloted harassment awareness training, which will be rolled out to all employees along with the continual roll-out of unconscious bias training.

OBJECTIVE

Ensure all employees have a sustainability objective and formalise a link between remuneration and sustainability for the Executive team

PERFORMANCE

Achieved

Annual sustainability objectives have been set for each employee. These objectives are tailored to each employee's role and responsibilities. For a number of sustainability critical roles, the sustainability objective was directly linked to bonus remuneration. In addition, all of Workspace's executive team members have a responsibility to drive progress on our environmental and social targets, the performance of which is reviewed by the Board Remuneration Committee.

> As we seek to reinforce the importance of sustainability, the Remuneration Committee has introduced additional ESG targets which now equate to 24% of Executive Directors' salaries.

Lesley-Ann Nash
Chair of the Board Remuneration Committee

OBJECTIVE

Establish a wellbeing committee to support our people with their mental and physical health

PERFORMANCE

Achieved

A wellbeing committee was established and delivered 13 employee wellbeing initiatives throughout the year. These included raising awareness about the Health Shield benefit package, as well as seminars on mental and physical health, financial wellbeing, and stress management. There has been a high uptake in Health Shield utilisation, with a total of £11,034 claimed.

We also held 35 wellbeing initiatives across our centres which were very well received by our customers. These included a range of activities such as yoga classes, puppy therapy sessions, terrarium building and partnerships with local gyms.

900
people supported through our wellbeing programme

> Health Shield has been extremely valuable and shows the importance Workspace places on the wellbeing of its people. I was able to use the scheme to purchase my prescription glasses and the claim process was seamless.

Emily Perriss,
Social Media Manager

400
customers attended the event

5 star
Oustanding feedback received

SUSTAINABILITY CONTINUED

CASE STUDY

Paws in Work

Catering for our customers' wellbeing needs is one of our top priorities.

This is why we are committed to bringing best-in-class wellbeing events to our centres. From puppy therapy to yoga sessions and mental health awareness workshops, our events have received tremendously positive feedback, including requests for many more.

Scientific studies have shown the positive effect of interacting with a pet on decreasing stress indicators such as blood pressure and cortisol levels. We have definitely witnessed the positive effect on our customers, who attended our event with Paws in Work. This was a great opportunity for customers to take a break from their desks and calm their minds by playing with puppies whilst meeting some of their office neighbours.

We organised five events with Paws in Work which were fully booked within 24 hours, and reached 400 customers, leaving 126 reviews, all 5-star rated.

"Paws in Work is a real asset to the Workspace community, and this experience was a real tonic."

Workspace customer

SUSTAINABILITY CONTINUED

LOOKING AFTER OUR PEOPLE CONTINUED

OBJECTIVE
Engage stakeholders on sustainability initiatives and gather feedback on priorities

PERFORMANCE
Achieved

Engaging with our customers on sustainability is crucial to successful delivery of our initiatives. Throughout the year, we maintained an open line of communication with our customers through an enhanced social media coverage strategy, an extensive sustainability events programme across the portfolio (48 in total), integrating sustainability messaging in our customer newsletter and conducting several one-to-one sustainability interviews with our customers. Sustainability feedback is also gathered through our annual survey, which showed that over two thirds of our customers agree with our approach to sustainability. We have also initiated four sustainability groups, working in partnership with our customers, to drive environmental & social performance of our buildings.

> It is clear that sustainability is important to Workspace and we have been encouraged to be sustainable from the moment we moved in.

Workspace customer

OBJECTIVE
Become London Living Wage compliant by April 2022 for employees and relevant contractors

PERFORMANCE
Achieved

All Workspace employees were already paid more than the London Living Wage and we have now increased the wages of our sub-contractors in line with London Living Wage thresholds (184 staff, covering services such as security and cleaning).

We are a Living Wage Employer

London Living Wage compliant for our people and sub-contractors

OBJECTIVE
Map supply chain risk by screening all approved suppliers and contractors for their environmental credentials

PERFORMANCE
Achieved

We rolled out a sustainability questionnaire to our key suppliers, targeting our top 50 partners by spend. The information collected is being used to understand the sustainability credentials of our supply chain and inform targeted engagement initiatives on topics such as environmental management and reporting, emissions reduction and social impact. We have also mandated all our suppliers to align with the Living Wage rate and where relevant, we encourage our suppliers to offer local employment or apprenticeships opportunities to fulfil the requirements of Workspace contracts.

Our newly launched supplier code of conduct sets minimum sustainability requirements for all our suppliers to adhere to.

> It is a privilege to have the opportunity to work on Workspace buildings. The learning has been immense and I am enjoying the diverse nature of work.

Apprentice at 360 Engineering, AC specialists

Looking forward

Our wellbeing programme has been one of the most impactful initiatives this year, with over 900 employees and customers having benefited from our support. Based on the excellent feedback we have received, we will continue to enhance our wellbeing provision, including a regular programme of events across the portfolio, driving uptake of our health benefit plan and supporting employees with financial wellbeing training. We are also incorporating best practice health and wellbeing guidance (from WELL and Fitwel) in all our current projects.

Ensuring we have a diverse and inclusive business is also a key priority for us. We will continue to gather data on diversity metrics to benchmark our performance and train our people on unconscious bias and harassment awareness. We are also working towards making our recruitment practices more inclusive and focusing on widening access to our profession.

SUSTAINABILITY CONTINUED

3

Supporting our communities

Through our focus on employment-led regeneration of London and supporting local economic growth, we are focused on creating lasting value for the communities in which we operate.

OBJECTIVE

Support our charity partner Single Homeless Project and other local charities through fundraising and lettings in kind programme

PERFORMANCE

Achieved

We donated a total of £100,000 to Single Homeless Project (SHP) this year, supporting over 550 young and vulnerable people. Our support ensured all the beneficiaries of SHP were offered Christmas dinner, over 100 support sessions were delivered and emergency support for 50 young people was offered. We also funded the role of a Youth Opportunities Coordinator. This allowed for a dedicated support worker across the boroughs of Lewisham and Greenwich to engage with young people every day and help motivate them to make the most of their lives. Focusing on activities, workshops, education, and conversations they were able to develop their skills and build confidence.

We also continued to roll out our lettings in kind programme to social enterprises and charities, supporting their rents to a value of £92,352.

OBJECTIVE

Give employees up to three paid volunteering days per annum and provide more opportunities for our employees to volunteer

PERFORMANCE

Achieved

540 volunteering hours delivered, supporting causes such as food banks, gardening at SHP, Christmas decorating for SHP, Workspace Charity Walk, Royal Parks Half marathon, Hackney Half marathon, Triathlon and JP Morgan Run.

540
volunteering hours

CASE STUDY

OUR PARTNERSHIP WITH SINGLE HOMELESS PROJECT

550
vulnerable young people supported

100
Christmas gifts purchased for young people

"Workspace have shown 100% commitment in working to tackle youth homelessness. They have allowed the funding of a youth opportunities coordinator, who works with our young people across south London to offer them group and one-to-one work support throughout the year."

Chris Greenfield
Corporate Partnership Manager, SHP

SUSTAINABILITY CONTINUED

SUPPORTING OUR COMMUNITIES CONTINUED

CASE STUDY

WESTBOURNE STUDIOS SCHOOL ENGAGEMENT

51
Students reached

4.4
score out of 5 given by students on workshop activities

We've helped build a great relationship between a local school and our customers, who were able to offer work experience opportunities, enabling students to discover the real working world.

We are now growing our programme to arrange work placements for the students with our customers and continue rolling out CV and interview workshops.

OBJECTIVE

Scale up our InspiresMe community impact programme, working alongside our customers, to support individuals who are at most risk of NEET (Not in Education, Employment or Training) to help them reach their full potential

PERFORMANCE

Rolled over

We have refreshed our InspiresMe strategy which focuses on developing skills and employment opportunities in the areas we operate. The programme is designed to be delivered in collaboration with our customers, offering CV workshops, skill building, mentoring sessions and work placements to pupils of local schools and youth group members. We successfully piloted the programme in Westbourne Studios and plan to extend it across four more centres in the coming year.

OBJECTIVE

Create a social impact framework to assess and enhance the social value generated by our business activities and portfolio

PERFORMANCE

Achieved

A social impact framework has been created to document our approach to social impact, focusing on four key themes: Wellbeing, Local Environmental Stewardship, Employment and Skills and Prosperous Neighbourhoods. We have identified a number of actions across the building life cycle and business operations that will support the delivery of this framework. We also piloted the framework on Lock Studios to assess the impact of our projects. This framework will now be applied across all our current projects so we can build in social impact considerations right from the start of the design process.

Looking forward

Our focus for the year is on rolling out our InspiresMe programme across a number of our centres. In partnership with our customers, we believe we can make a real impact in supporting skill development and employment in local areas where we operate.

We have also created a robust social impact framework with measurable KPIs that cover the entire building life cycle. We will be implementing social value objectives and associated KPIs across all our current projects and working with our design teams and contractors to track progress.

After a very successful year with Single Homeless Project, our charity partner, we are working with them on further enhancing our impact through more active engagement and pro-bono opportunities.

500
New employment opportunities created in the area

£3m
invested in healthcare and education provision

20K sq. ft.
of green and planted space

Lock Studios, Bow

SUSTAINABILITY CONTINUED

CASE STUDY

Maximising social impact: Lock Studios

Our redevelopment of Lock Studios in Bow is an example of how we are maximising social impact through employment led regeneration of London. The borough of Tower Hamlets is one of London's most deprived areas, and our redevelopment has transformed the site from a low-quality industrial space into a vibrant mixed-use community. The impact includes:

- Over 500 employment opportunities created on site
- Significant increase in footfall and local spend
- Greater utilisation of site via local residents due to needs-based amenities on site (six retail units and a café)
- Greater perception of safety, increased community cohesion and enhanced wellbeing thanks to the green space provision
- £3m invested in the borough to enhance local education and healthcare provision

Employment-led regeneration of London is at the core of our business strategy, providing our customers with access to high-quality working space whilst creating prosperous neighbourhoods.

"The development has completely changed the look and feel of the area. Where people previously avoided the car park, the open square has provided a safe and welcome place for local residents to socialise."

Local resident and retailer

OUR KEY PERFORMANCE INDICATORS

Financial performance

KEY TO STRATEGIC LINKS

- DRIVING CUSTOMER-LED GROWTH
- A FOUNDATION OF OPERATIONAL EXCELLENCE
- BEING SUSTAINABLE

1. NET RENTAL INCOME

LINK TO STRATEGY

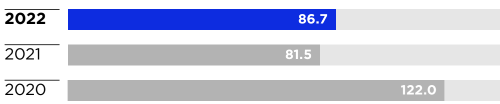
WHY THIS IS IMPORTANT TO WORKSPACE

Net rental income is the rental income receivable after payment of direct property expenses, including service charge costs and other direct unrecoverable property expenses. It is important to Workspace because it measures our operating performance. It is a key driver of trading profit, which in turn determines dividend growth.

MOVEMENT IN 2021/22

Net rental income increased by 6.4% (£5.2m) to £86.7m. In 2020/21 net rental income was significantly reduced by covid-related discounts given to our customers, which were not repeated in the current year. In 2021/22 as customers returned to centres, service charge costs returned to normal levels and a lower average occupancy across the year meant void costs increased.

£86.7m



2. TRADING PROFIT AFTER INTEREST

LINK TO STRATEGY

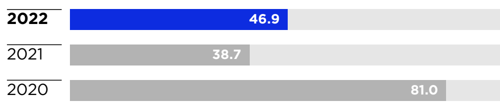
WHY THIS IS IMPORTANT TO WORKSPACE

Trading profit after interest is net rental income, less administrative expenses and finance costs but excluding exceptional finance costs. It is a key measure for Workspace and determines dividend growth, and so the returns we provide to our shareholders. It measures the underlying performance of the business. The Executive Directors are incentivised on trading profit after interest.

MOVEMENT IN 2021/22

Trading profit after interest increased by 21% (£8.2m) to £46.9m. The main driver was the £5.2m growth in net rental income.

£46.9m



3. EPRA NTA PER SHARE

LINK TO STRATEGY

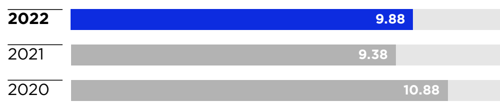
WHY THIS IS IMPORTANT TO WORKSPACE

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 and financial derivatives and excluding deferred taxation relating to valuation movements and derivatives, divided by the number of shares in issue. It is important to Workspace as it provides stakeholders with information on our net asset value. It is a key external measure for property companies and is used to benchmark against share price.

MOVEMENT IN 2021/22

Our EPRA NTA per share increased by 5.3% (£0.50) to £9.88. The main drivers were the increase in the valuation of our portfolio and the trading profit in the year.

£9.88



OUR KEY PERFORMANCE INDICATORS CONTINUED

FINANCIAL PERFORMANCE CONTINUED

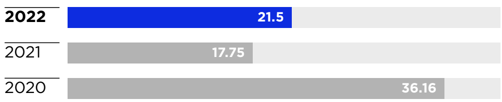
4. DIVIDEND PER SHARE

LINK TO STRATEGY

WHY THIS IS IMPORTANT TO WORKSPACE
This is the dividend payment per share in issue. Dividend per share is a key measure of the returns we are providing to our investors. It is important to Workspace because we aim to provide good returns for our shareholders, and also to work within our REIT requirements for income distribution.

MOVEMENT IN 2021/22
The increase of 21% (3.75p) in dividend per share was due to improved trading profit in the year and positive outlook.

21.5p



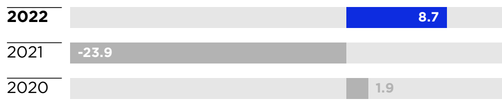
5. LIKE-FOR-LIKE RENT ROLL GROWTH

LINK TO STRATEGY

WHY THIS IS IMPORTANT TO WORKSPACE
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 rent receivable for occupied units at the date of reporting. Monitoring rent roll growth on the like-for-like portfolio is an important measure of the underlying performance of the business and a key driver of future net rental income. We monitor the like-for-like rent roll on a weekly basis in management meetings and it is also a key performance indicator in our monthly Board reporting.

MOVEMENT IN 2021/22
The like-for-like rent roll has increased by 8.7% (£7.4m) in the year driven by a recovery in like-for-like occupancy from 81.8% to 89.6%.

+8.7%



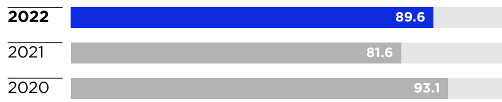
6. LIKE-FOR-LIKE OCCUPANCY

LINK TO STRATEGY

WHY THIS IS IMPORTANT TO WORKSPACE
Like-for-like occupancy is the area of let space within the like-for-like portfolio divided by the net lettable area of the like-for-like portfolio. It is important as it gives us vital information on the performance of our core properties. It drives pricing and operational decisions and can be a measure of customer demand for the space. Again, this is monitored on a weekly basis in management meetings and it is also a key performance indicator in our monthly Board reporting.

MOVEMENT IN 2021/22
Like-for-like occupancy increased by 7.8% to 89.6%, recovering to pre-covid levels.

89.6%



KEY TO STRATEGIC LINKS

- DRIVING CUSTOMER-LED GROWTH
- A FOUNDATION OF OPERATIONAL EXCELLENCE
- BEING SUSTAINABLE

OUR KEY PERFORMANCE INDICATORS CONTINUED

FINANCIAL PERFORMANCE CONTINUED

KEY TO STRATEGIC LINKS

- DRIVING CUSTOMER-LED GROWTH
- A FOUNDATION OF OPERATIONAL EXCELLENCE
- BEING SUSTAINABLE

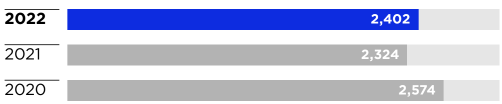
7. PROPERTY VALUATION

LINK TO STRATEGY

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. The property portfolio is independently valued, currently by CBRE. We aim to enhance the value of our properties through active asset management, including refurbishment and redevelopment schemes. The movement in property valuation is a key driver in our EPRA NTA per share measure.

MOVEMENT IN 2021/22
There was an underlying increase of 3.0% (£69m) in our property valuation, taking the valuation to £2,402m. This was mainly driven by improved yields across the portfolio. See Property Valuation section of the Business Review on pages 71 and 72 for more detail.

£2,402m



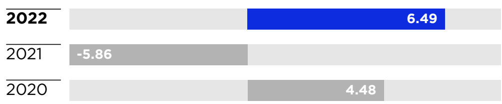
8. TOTAL PROPERTY RETURN

LINK TO STRATEGY

WHY THIS IS IMPORTANT TO WORKSPACE
Total Property Return is the return for the year combining the valuation movement on our portfolio and the income achieved in the year. 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 2021/22
Improved capital and income returns in the year have resulted in an improved Total Property Return, and we marginally outperformed the IPD benchmark. This was mainly driven by the increase in the property valuation in the year.

6.49%



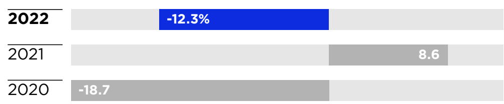
9. TOTAL SHAREHOLDER RETURN

LINK TO STRATEGY

WHY THIS IS IMPORTANT TO WORKSPACE
Total Shareholder Return is the return obtained by a shareholder, calculated by combining both share price movements and dividend receipts. This is important to Workspace because it shows the value that our shareholders receive from investing in Workspace shares. We aim to create maximum value for our shareholders, and as such this measure forms part of the performance criteria within our LTIP schemes.

MOVEMENT IN 2021/22
Total Shareholder Return has decreased due to a reduction in the share price over the year, offset by dividends paid in the year.

-12.3%



OUR KEY PERFORMANCE INDICATORS CONTINUED

Non-financial performance

KEY TO STRATEGIC LINKS

- DRIVING CUSTOMER-LED GROWTH
- A FOUNDATION OF OPERATIONAL EXCELLENCE
- BEING SUSTAINABLE

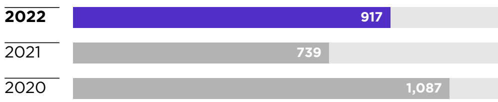
1. CUSTOMER ENQUIRIES

LINK TO STRATEGY

WHY THIS IS IMPORTANT TO WORKSPACE
Customer enquiries represent the number of enquiries we receive for our space. Enquiries come through our website, via brokers, via phone, from walk-ins or existing customers looking to expand, contract or move locations. Measuring enquiries helps us to assess the customer demand for our product. Our internal marketing platform generates enquiries, and by increasing marketing activity we can drive enquiries, for example around the launch of a new building.

MOVEMENT IN 2021/22
Customer enquiries increased significantly as Covid restrictions eased, with average monthly enquiries up 24% to 917 per month. Number of enquiries are nearing pre-Covid levels, with an average of 957 monthly enquiries in the final quarter.

917



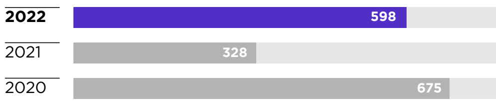
2. VIEWINGS

LINK TO STRATEGY

WHY THIS IS IMPORTANT TO WORKSPACE
This is the number of viewings of individual units by new or existing customers looking for new or additional space. Viewings are important because they provide an opportunity to get customers into our centres to see first hand the quality of our space, and to drive lettings. It is important to monitor the conversion of enquiries to viewings and then of viewings to offer letters.

MOVEMENT IN 2021/22
As with enquiries, viewings recovered significantly from the previous year which was heavily impacted by Covid restrictions. Average monthly viewings were up 82% to 598 per month.

598



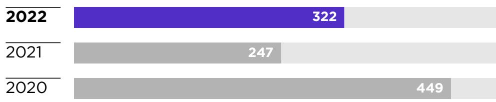
3. OFFER LETTERS

LINK TO STRATEGY

WHY THIS IS IMPORTANT TO WORKSPACE
Once they have completed a viewing, if they are interested in the space, prospective customers can request an offer letter containing pricing information and lease terms. Tracking the number of offer letters is important as it allows us to assess the success of our viewings and the demand for our product.

MOVEMENT IN 2021/22
The number of offer letters also increased in the year as we saw an increase in customer demand, increasing by 30% to an average of 322 per month.

322



OUR KEY PERFORMANCE INDICATORS CONTINUED

NON-FINANCIAL PERFORMANCE CONTINUED

4. LETTINGS

LINK TO STRATEGY

WHY THIS IS IMPORTANT TO WORKSPACE
This is the number of lettings that we complete. It is a key measure for Workspace because lettings drive our net rental income and therefore trading profit. Lettings set the tone for estimated rental values, and so impact our property valuation too.

MOVEMENT IN 2021/22
We saw lettings increase by 32% to an average of 127 per month following increased customer demand in the year. This drove increases in rent roll and occupancy.

127

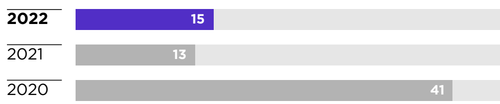
5. RENEWALS

LINK TO STRATEGY

WHY THIS IS IMPORTANT TO WORKSPACE
This is the number of lease renewals we sign with existing customers per month. These are important as they demonstrate how sticky our customers are, track customer retention and allow us to capture reversion within our portfolio.

MOVEMENT IN 2021/22
The average number of renewals per month increased from 13 in the prior year to 15. However, in the prior year it was necessary to proactively work to retain customers ahead of their lease end dates due to the pressures of the Covid pandemic. If we include these retentions, the monthly average decreased from 63 to 34 in the current year.

15



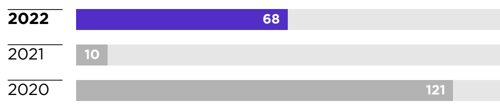
6. EMPLOYEE VOLUNTEERING DAYS

LINK TO STRATEGY

WHY THIS IS IMPORTANT TO WORKSPACE
This is the number of days that our employees spent volunteering or fundraising for our selected charities. Supporting our communities is a key part of our sustainability strategy and it is important for our employees to get involved.

MOVEMENT IN 2021/22
The number of volunteering days increased significantly from 10 to 68. As there were fewer Covid-restrictions during the year, there were more opportunities for volunteering and we actively encouraged our employees to get involved.

68



KEY TO STRATEGIC LINKS

- DRIVING CUSTOMER-LED GROWTH
- A FOUNDATION OF OPERATIONAL EXCELLENCE
- BEING SUSTAINABLE

PRINCIPAL RISK 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 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 clearly. 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 is now well established, with the Audit and Risk Committees continuing to work together during the year to embed it in the business.

Following the Board effectiveness review which focused on the attributes of a high-performing Board, it was agreed that the Risk Committee should be disbanded and many of its responsibilities would be subsumed into the Audit Committee with the rest assumed by Main Board.

The Audit Committee is supported by the Executive Committee and the Risk Management Group, comprising senior managers from across the business. The Board will retain overall responsibility for the Group's risk management, particularly in respect of principal risks, including those relating to valuation, development and real estate.

Further details of the framework can be found on page 160.

Continued response to Covid-19

The ongoing Covid-19 pandemic and the resulting macroeconomic uncertainty had a reduced impact on Workspace and its customers throughout the year.

EMPLOYEES

The health and safety of our employees remains a top priority. For the majority of the year our staff were able to work safely in our offices, although during the Government's lockdown measures in December 2021, our employees were asked to work from home, with technology already in place to allow them to do so.

CUSTOMERS

Throughout the year we have seen an increasing proportion of our customers returning to their offices.

Our centre staff were working in our business centres throughout the year, maintaining regular contact with our customers to keep them abreast of actions being taken to ensure the safety of our sites and to answer any queries.

REGULATION

Workspace has kept up to date with Government guidelines and sought advice where necessary. The majority of Covid regulations stopped as of 24 March 2022.

PROPERTIES

Our buildings remained open throughout the year as increasing numbers of customers returned to their offices.

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

FINANCIAL POSITION

Despite the reducing level of uncertainty, the Group continued 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 signed a £200m RCF in December 2021 which further strengthened its financial position. As at 31 March 2022, the Group had cash and undrawn credit facilities of £442m along with substantial headroom on its financial covenants.

PRINCIPAL RISK AND UNCERTAINTIES CONTINUED

Kennington Park, Oval

Climate change risk

Workspace recognises that climate change will have an impact on our business. Our properties are at risk from physical climate-related issues including changes in temperature extremes leading to increased 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.

As a business we are also at risk from the transition to a net zero economy in the form of increasing regulation, changes in customer demand and increasing cost of raw materials.

We are actively managing our climate change risk and have put in place mitigation measures for the most material impacts. Following the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD) framework, we have also stress tested our portfolio against plausible warming scenarios. Our full TCFD report can be found on page 81.

Further, we have made a commitment to become a net zero carbon business by 2030, ensuring we are actively mitigating our transition risk from climate change. Details of our net zero pathway can be found on pages 40 to 41.

We also maintain an Environmental, Social and Governance (ESG) risk register which captures all ESG risks to the business and is managed by the Head of Sustainability.

Ongoing impact of 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
- 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 strong position following the transition period.

PRINCIPAL RISK AND UNCERTAINTIES CONTINUED

Changes to principal risks

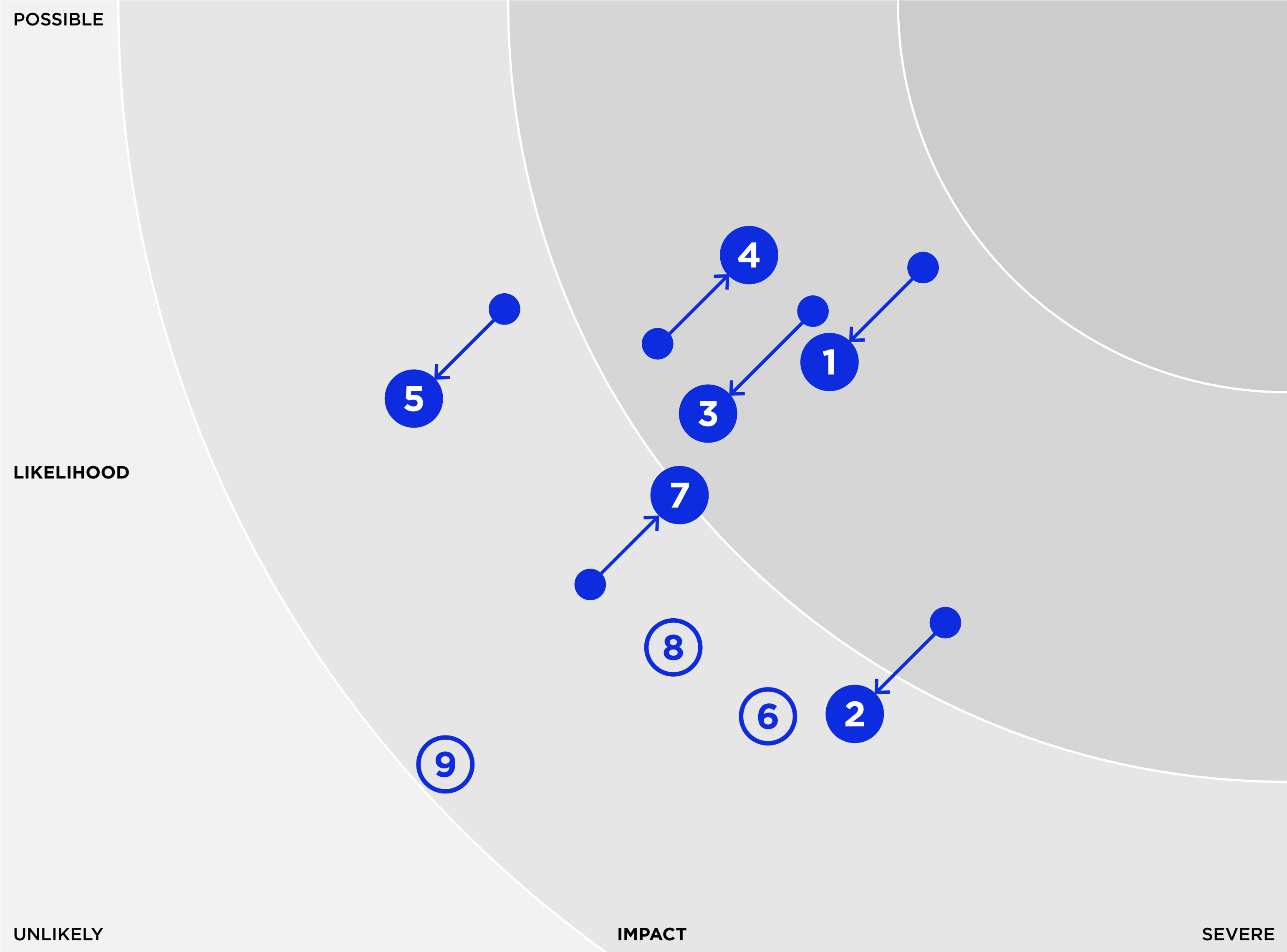
NEW RISKS
There have been no new principal risks in the period.

KEY

PRINCIPAL RISKS

1. Customer demand	page 62
2. Financing	page 62
3. Valuation	page 63
4. Acquisition pricing	page 63
5. Customer payment default	page 64
6. Cyber security	page 64
7. Resourcing	page 65
8. Third-party relationships	page 66
9. Regulatory	page 66

- No change
- Increased from last year
- Decreased since last year



PRINCIPAL RISK AND UNCERTAINTIES CONTINUED

KEY TO STRATEGIC LINKS

DRIVING CUSTOMER-LED GROWTH
...AND DELIVERING OPERATIONAL EXCELLENCE...
...WHILST ALWAYS BEING SUSTAINABLE.

1 Customer demand

PRINCIPAL RISK

Opportunities for growth could be missed without a clear branding strategy to meet the changing demands of flexible working models. Whilst the uncertainty from the Covid pandemic has significantly reduced, there are other macroeconomic factors including the war in Ukraine, current levels of inflation and predicted interest rate rises that could also impact potential customers.

RISK IMPACT

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

MITIGATION

- 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
- Continued 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

Decreased due to removal of all Covid restrictions, however this may be impacted by other economic factors including the war in Ukraine, inflation and interest rate rises

RISK APPETITE

Medium

LINK TO STRATEGY

Page 32

RELEVANT KPIS

FINANCIAL PERFORMANCE

1, 2, 5, 6, 8

NON-FINANCIAL PERFORMANCE

1, 2, 3, 4, 5

Pages 54 to 58

2 Financing

PRINCIPAL RISK

There may be a reduction in the availability of long-term financing due to a prolonged 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 76
- 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 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 refinanced our revolving credit facility, extending the maturity for a further three years, providing the Group with adequate funds for future plans

IMPACT

Severe

PROBABILITY (POST-MITIGATION)

Unlikely

CHANGE FROM LAST YEAR

Decreased following refinancing of RCF, however this may be mitigated by interest rate rises

RISK APPETITE

Low

LINK TO STRATEGY

Page 32

RELEVANT KPIS

FINANCIAL PERFORMANCE

2, 4, 9

Pages 54 to 56

PRINCIPAL RISK AND UNCERTAINTIES CONTINUED

KEY TO STRATEGIC LINKS

DRIVING CUSTOMER-LED GROWTH

...AND DELIVERING OPERATIONAL EXCELLENCE...

...WHILST ALWAYS BEING SUSTAINABLE.

3 Valuation

PRINCIPAL RISK

The macroeconomic uncertainty could have an impact on asset valuations, leading to a devaluation 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

Decreased due to removal of all Covid restrictions, however this may be impacted by other economic factors including the war in Ukraine, inflation and interest rate rises

RISK APPETITE

Medium

LINK TO STRATEGY

Page 32

RELEVANT KPIS

FINANCIAL PERFORMANCE

3, 5, 7, 8, 9

Pages 54 to 56

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 good return and will not knowingly overpay for an asset

IMPACT

High

PROBABILITY (POST-MITIGATION)

Possible

CHANGE FROM LAST YEAR

Increased due to the acquisition of McKay Securities PLC

RISK APPETITE

Medium

LINK TO STRATEGY

Page 32

RELEVANT KPIS

FINANCIAL PERFORMANCE

7, 8, 9

Page 56

PRINCIPAL RISK AND UNCERTAINTIES CONTINUED

KEY TO STRATEGIC LINKS
DRIVING CUSTOMER-LED GROWTH
...AND DELIVERING OPERATIONAL EXCELLENCE...
...WHILST ALWAYS BEING SUSTAINABLE.

5 Customer payment default

PRINCIPAL RISK
There is a reducing impact from Covid-19 on the economy with less customers defaulting on their rental payments. However, there remains a risk of continued economic downturn given the broader geopolitical climate, inflation and interest rate rises. This 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 improved during the year, but were still impacted as a result of the moratorium put in place by the Government. This has now been partially removed, improving our ability to enforce payment
- The reduced impact continues to be 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
Decreased due to removal of Covid restrictions and moratorium on debt collection

RISK APPETITE
Low

LINK TO STRATEGY

Page 32

RELEVANT KPIS
FINANCIAL PERFORMANCE
1, 2, 4, 8, 9

Pages 54 to 56

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's reputation and inhibit our ability to run the business.

RISK IMPACT
- Inability to process new leases and invoice customers
- Reputational damage
- Increased operational costs

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 framework's 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

Page 32

RELEVANT KPIS
FINANCIAL PERFORMANCE
2, 4, 8, 9

NON-FINANCIAL PERFORMANCE
4, 5

Pages 54 to 58

PRINCIPAL RISK AND UNCERTAINTIES CONTINUED

KEY TO STRATEGIC LINKS

DRIVING CUSTOMER-LED GROWTH | ...AND DELIVERING OPERATIONAL EXCELLENCE... | ...WHILST ALWAYS BEING SUSTAINABLE.

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 strengthened this year by the newly created appointment of a Recruitment Manager who will coordinate all activities to attract talented employees

IMPACT

High

PROBABILITY (POST-MITIGATION)

Low

CHANGE FROM LAST YEAR

Increased due to impact of inflation and current job market

RISK APPETITE

Medium

LINK TO STRATEGY

Page 32

RELEVANT KPIS

FINANCIAL PERFORMANCE

1, 2, 4, 5, 6, 8, 9

NON-FINANCIAL PERFORMANCE

1, 2, 3, 4, 5, 6

Pages 54 to 58

Fuel Tank, Greenwich

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 people with talent to ensure there is a pipeline of employees with the potential to take on leadership roles.

Talented people, see page 20

PRINCIPAL RISK AND UNCERTAINTIES CONTINUED

KEY TO STRATEGIC LINKS

- DRIVING CUSTOMER-LED GROWTH
- ...AND DELIVERING OPERATIONAL EXCELLENCE...
- ...WHILST ALWAYS BEING SUSTAINABLE.

8 Third-party relationships

PRINCIPAL RISK

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
- Increased 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 are 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 from April 2022

IMPACT

High

PROBABILITY (POST-MITIGATION)

Low

CHANGE FROM LAST YEAR

No change

RISK APPETITE

Low

LINK TO STRATEGY

Page 32

RELEVANT KPIS

FINANCIAL PERFORMANCE

1, 2, 4, 5, 6, 8, 9

NON-FINANCIAL PERFORMANCE

4, 5

Pages 54 to 58

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 87 to 89 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

Page 32

RELEVANT KPIS

FINANCIAL PERFORMANCE

1, 2, 4, 5, 6, 8, 9

NON-FINANCIAL PERFORMANCE

4, 5

Pages 54 to 58

BUSINESS REVIEW

Mirror Works, Stratford

At a glance

£111.0m
Total rent roll

£46.9m
Trading profit after interest

£2.4bn
Property valuation

89.6%
Like-for-like occupancy

PROPERTIES FEATURED IN THE BUSINESS REVIEW:

Pall Mall Deposit, Ladbroke Grove
Completed refurbishment

Mirror Works, Stratford
Completed mixed-use redevelopment

Leroy House, Islington
Refurbishment Underway

BUSINESS REVIEW CONTINUED

CUSTOMER ACTIVITY

Customer demand for space within our business centres is back at pre-Covid levels with a strong level of conversion of enquiries to viewings and lettings, and momentum continuing into the first quarter of the new financial year.

Utilisation of business centres by our customers has increased throughout the year, reaching around 69% of pre-Covid levels in the week ending 01 April 2022 and peaking at 73% mid-week.

RENT ROLL

Total rent roll, representing the total annualised net rental income at a given date, was up 6.8% to £111.0m at 31 March 2022, with overall occupancy increasing from 77.8% to 84.3%.

Total Rent Roll	£m
At 31 March 2021	103.9
Like-for-like portfolio	7.4
Completed projects	2.5
Projects underway and design stage	0.2
Acquisitions	3.8
Disposals/other	(6.8)
At 31 March 2022	111.0

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 £149.9m.

Like-for-like Portfolio

The like-for-like portfolio represents 84% of the total rent roll as at 31 March 2022. It comprises 39 properties with stabilised occupancy, excluding buildings impacted by significant refurbishment or redevelopment activity or contracted for sale.

The like-for-like rent roll has increased by 8.7% (£7.4m) in the year to 31 March 2022 to £92.9m driven by a recovery in occupancy to pre-Covid levels, increasing from 81.8% to 89.6%. After a decrease in like-for-like pricing of 2.3% in the first quarter, we have seen pricing growth in each subsequent quarter, resulting in like-for like pricing increasing by 0.4% (£0.14 per sq. ft.) over the year to £36.39 per sq. ft.

If all the like-for-like properties were at 90% occupancy at the CBRE estimated rental values, the rent roll would be £106.2m, £13.3m higher than the actual cash rent roll at 31 March 2022.

	Monthly Average						
	Q4 21/22	Q3 21/22	Q2 21/22	Q1 21/22	FY 21/22	FY 20/21	FY 19/20
Enquiries	957	831	935	947	917	739	1,087
Viewings	634	513	629	615	598	328	675
Lettings	127	117	138	125	127	96	121

	Quarter Ended			
Like-for-like	31 Mar 22	31 Dec 21	30 Sep 21	30 Jun 21
Occupancy	89.6%	86.6%	85.6%	82.9%
Occupancy Change[1]	3.0%	1.0%	2.7%	1.1%
Rent per sq. ft.	£36.39	£35.92	£35.50	£35.41
Rent per sq. ft. change	1.3%	1.2%	0.3%	(2.3)%
Rent Roll	£92.9m	£89.3m	£87.3m	£84.6m
Rent Roll change	4.0%	2.3%	3.2%	(1.1)%

1. Absolute change.

BUSINESS REVIEW CONTINUED

Completed Projects

There are eight projects in the completed projects category. Rent roll in this category has increased by 61% (£2.5m) in the year to £6.6m. This movement has been driven by significant improvements in occupancy, with properties we launched both during the Covid pandemic and more recently letting up well. Occupancy across completed projects has increased to 69.2% from 55.2% in March 2021.

Particularly pleasing is the letting up of Mare Street Studios, Hackney, which was launched in June 2020, and is now 70.1% let (up from 5.6% at March 2021), with rent roll increasing by £0.8m.

A further £0.5m was added to rent roll at Pall Mall Deposit, Ladbroke Grove, where we completed an extensive refurbishment in September 2021, and have seen good demand for space, with occupancy increasing from 50.7% to 75.6% over the year.

This category also contains buildings launched more recently including, Mirror Works, Stratford, a new business centre and an additional 17,000 sq. ft. of new space at The Light Bulb, Wandsworth, both of which launched in the second half and are letting up well.

If the buildings in this category were all at 90% occupancy at the CBRE estimated rental values at 31 March 2022, the rent roll would be £10.7m, an uplift of £4.1m.

Projects Underway – Refurbishments

We are currently underway on four refurbishment projects that will deliver 195,000 sq. ft. of new and upgraded space. As at 31 March 2022, rent roll was £3.5m, down £0.1m in the year.

In January 2022 we commenced the refurbishment of Leroy House, where we will upgrade, extend and reconfigure the whole building, adding 12,000 sq. ft. of net lettable space. Our sustainability goals are at the heart of the design, which aims to achieve a BREEAM excellent certification. The project has been designed to achieve significantly less embodied carbon than a typical new build (estimated at a 77% reduction) by retaining the existing structure, opting for natural ventilation and using materials with a high recycled content.

Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2022, the rent roll at these four buildings once they are completed would be £8.4m, an uplift of £4.9m.

Projects at Design Stage

These are properties where we are planning a refurbishment or redevelopment that has not yet commenced. The rent roll at these properties at 31 March 2022 was £4.2m, an uplift of £0.3m in the year.

Acquisitions

In September 2021, we completed the acquisition of The Old Dairy in Shoreditch for £43.4m. In November 2021 we completed the acquisition of Busworks in Islington for £45.0m. The rent roll across these two sites at 31 March 2022 was £3.8m.

Assuming 90% occupancy at the CBRE estimated rental values at 31 March 2022, the rent roll at these two properties would be £5.8m, an uplift of £2.0m.

BUSINESS REVIEW CONTINUED

PROFIT PERFORMANCE

Trading profit after interest for the year is up 21.2% (£8.2m) on the prior year to £46.9m.

£m	31 March 2022	31 March 2021
Net rental income	86.7	81.5
Administrative expenses – underlying	(17.7)	(16.5)
Administrative expenses – share based costs[1]	(1.6)	(2.5)
Net finance costs	(20.5)	(23.8)
Trading profit after interest	46.9	38.7

1. These relate to both cash and equity settled costs.

Net rental income was up 6.4% (£5.2m) in total to £86.7m, as detailed below:

£m	31 March 2022	31 March 2021
Rental income	100.3	115.0
Unrecovered service charges	(4.2)	(2.1)
Empty rates and other non-recoverable costs	(10.5)	(7.0)
Services, fees, commissions and sundry income	0.7	(0.7)
Underlying net rental income	86.3	105.2
Rent discounts and waivers	0.3	(19.9)
Expected credit losses	(1.5)	(4.2)
Acquisitions	1.3	–
Disposals	0.3	0.4
Net rental income	86.7	81.5

The reduction in rental income of £14.7m has been driven by the fall of 11.7% in like-for-like occupancy together with a reduction of 12.9% in rent per sq. ft. during 2020/2021, combined with the impact of the disposal of Fitzroy Street which was vacant from June 2021. This resulted in a lower opening total rent roll of £103.9m at 31 March 2021 compared to £132.8m at 31 March 2020.

Our focus on cost control during Covid lockdown periods enabled us to reduce unrecovered service charges in the year to 31 March 2021. With customers returning to our centres in increasing numbers over the course of the year to 31 March 2022, and with the impact of increased energy prices, service charge costs have returned to more normal levels. This, combined with lower average occupancy compared to the prior year, has resulted in an increase of £2.1m in unrecovered service charge costs in this financial year.

The lower average occupancy has also resulted in an increase in empty rates which, combined with increased marketing and customer acquisition costs has resulted in non-recoverable costs increasing by £3.5m to £10.5m. Increased customer activity has also resulted in net income from services, fees, commissions and sundry income increasing to £0.7m.

Net rental income in the prior year 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 our business centre customers. These one-off discounts and waivers have not been repeated in the current financial year.

In addition, 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 which resulted in a significant charge of £4.2m for expected credit losses in the prior year. Although the restrictions still remained in place until 31 March 2022, rent collection has continued to improve, with a reduction in the charge to £1.5m in the current financial year.

Administrative expenses increased by 1.6% (£0.3m) to £19.3m with an underlying increase of 7%, reflecting an average pay rise of 2%, increased recruitment and other staff costs and continued investment in technology. This was largely offset by a reduced charge for share-based costs due to lower vesting assumptions.

Net finance costs decreased by 13.9% (£3.3m) in the year, reflecting a decrease in the average interest rate from 3.8% to 3.1%, following the pre-payment of £148.5m of 5.6% Private Placement loan notes in April 2021.

Profit before tax was £124.0m compared to a loss before tax of £235.7m in the prior year.

£m	31 March 2022	31 March 2021
Trading profit after interest	46.9	38.7
Change in fair value of investment properties	68.7	(257.7)
Gain/(loss) on sale of investment properties	7.8	(0.1)
Exceptional finance costs	–	(16.4)
Other items	0.6	(0.2)
Profit/(loss) before tax	124.0	(235.7)
Adjusted underlying earnings per share	25.8p	21.3p

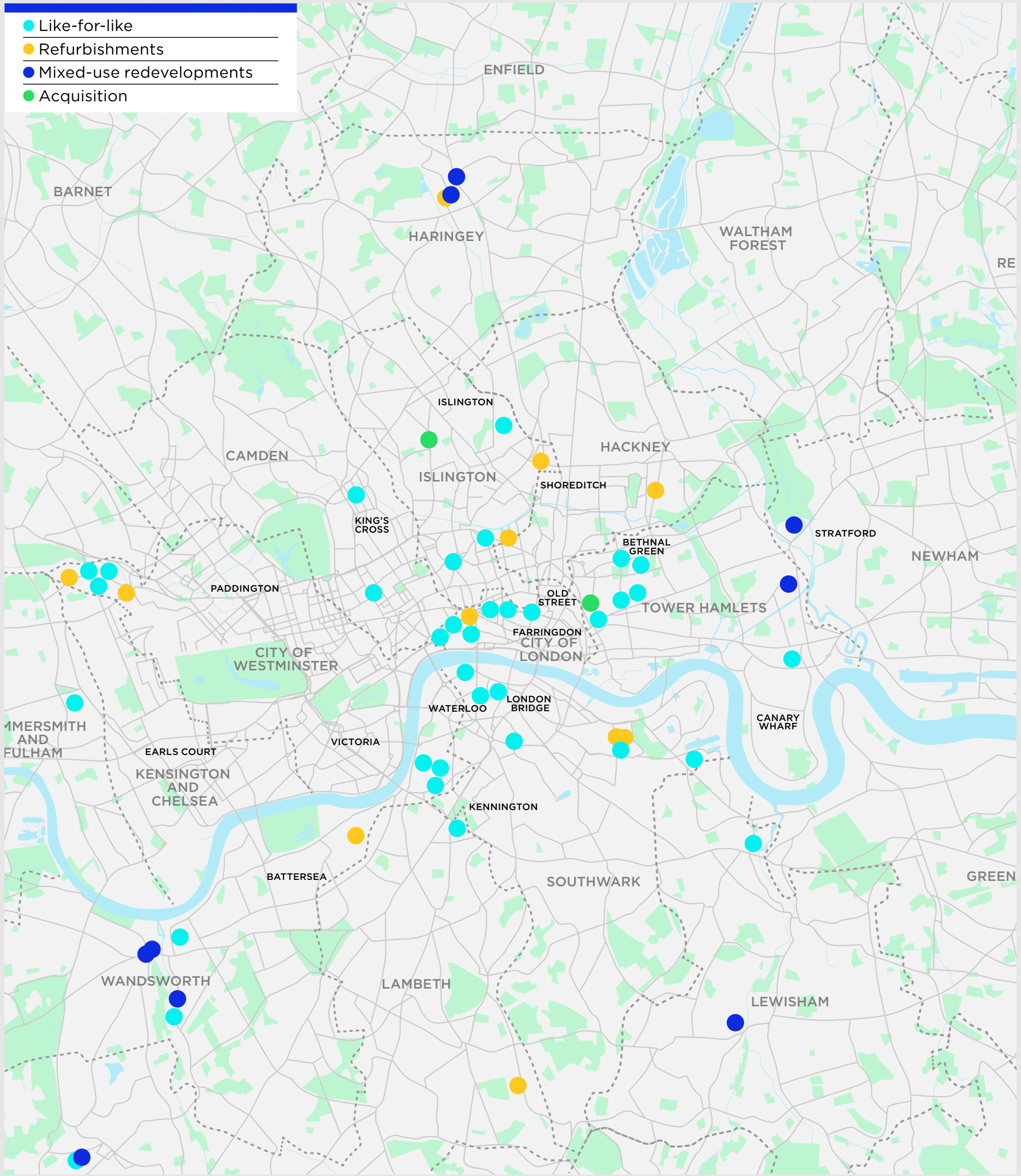
The increase in the property revaluation was £68.7m compared to a decrease of £257.7m in the prior year.

The gain on sale of investment properties of £7.8m reflected the disposal of Highway in March 2022 for £24m and Fitzroy Street in September 2021 for £92m.

Exceptional finance costs in the prior financial year related to the refinancing of £100m and £84m of private placement notes due in 2030 which were repaid early in April 2021 after notice was given in March 2021.

Adjusted underlying earnings per share, based on EPRA earnings adjusted for non-trading items and calculated on a diluted share basis, was up 21.1% to 25.8p.

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.

In line with our policy, the Board is recommending a final dividend of 14.5p per share, taking the full year dividend to 21.5p (2021: 17.75p). The final dividend will be paid on 05 August 2022 to shareholders on the register at 08 July 2022. The dividend will be paid as a Property Income Distribution and fully meets the REIT distribution requirement for the year to 31 March 2022.

PROPERTY VALUATION

At 31 March 2022, our property portfolio was independently valued by CBRE at £2,402m, an underlying increase of 3.0% (£69m) in the year. The main movements in the valuation over the year are set out below:

	£m
Valuation at 31 March 2021	2,324
Revaluation surplus	69
Capital expenditure	28
Capital receipts	(1)
Acquisitions	90
Disposals	(108)
Valuation at 31 March 2022	2,402

There was an underlying revaluation increase of 3.6% (£84m) in the second half of the year compared to a decrease of 0.7% (£15m) in the first half. A summary of the full year valuation and revaluation movement by property type is set out below:

		Revaluation increase/(decrease)		
£m	Valuation 31 March 2022	Full year	H2	H1
Like-for-like Properties	1,897	63	74	(11)
Completed Projects	186	8	9	(1)
Refurbishments	161	(4)	(2)	(2)
Redevelopments	70	5	6	(1)
Acquisitions	88	(3)	(3)	–
Total	2,402	69	84	(15)

BUSINESS REVIEW CONTINUED

Like-for-like Properties

There was a 3.4% (£63m) underlying increase in the valuation of like-for-like properties to £1,897m. This was driven by yield movement, with the equivalent yield of the like-for-like portfolio coming in from 5.9% to 5.7%. This was partly offset by a 1.9% decrease in ERV per sq. ft. reflecting price reductions we have seen on lettings and renewals completed during the first half of the year. ERV per sq. ft. deceased by 3.1% in the first half, but following improved pricing in the second half, it increased by 1.2%.

	31 March 2022	31 March 2021	Change
ERV per sq. ft.	£41.42	£42.23	-1.9%
Rent per sq. ft.	£36.39	£36.25	0.4%
Equivalent Yield	5.7%	5.9%	-0.2%[1]
Net Initial Yield	4.2%	4.2%	–
Capital Value per sq. ft.	£666	£633	+5.2%

1. Absolute change.

Completed Projects

There was an underlying increase of 4.5% (£8m) in the value of the eight completed projects to £186m. The overall valuation metrics for completed projects are set out below:

	31 March 2022
ERV per sq. ft.	£28.04
Rent per sq. ft.	£22.49
Equivalent Yield	5.8%
Net Initial Yield	3.2%
Capital Value per sq. ft.	£437

The major movements within this category included increases of £3.8m at Parkhall, reflecting an increase in ERV following our recently completed refurbishment project, and an increase of £1.9m at Wenlock Studios, where occupancy has improved significantly over the year.

Current Refurbishments and Redevelopments

There was an underlying reduction of 2.4% (£4m) in the value of our current refurbishments to £161m and an increase of 7.7% (£5m) in the value of our current redevelopments to £70m.

Within the refurbishment category there was an underlying reduction of £4m at Leroy House, where we have now obtained vacant possession ahead of our refurbishment project and have begun incurring construction costs.

The most significant movement in the redevelopment category was an increase of £5m at Garratt Lane, which forms part of our mixed-use redevelopment scheme at Riverside, Wandsworth.

REFURBISHMENT ACTIVITY

A summary of the status of the refurbishment pipeline at 31 March 2022 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 169,000 sq. ft. of high specification office space.

Refurbishment project pipeline	Number	Capex spent	Capex to spend	Upgraded and new space (sq. ft.)
Underway	4	£9m	£46m	195,000
Design stage	3	£2m	£116m	298,000
Design stage (without planning)	5	£0m	£221m	429,000

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 typically 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 2022 is set out below.

There are now four schemes at the design stage that have obtained mixed-use planning consents.

In February 2022, we completed a land-swap and a surrender of our long leasehold interest on part of the Chocolate Factory site to the freeholder, Haringey Council. This allows Haringey and Workspace to deliver their share of the consented scheme and unlocks the residential element of Workspace's ownership for redevelopment. As part of the deal we transferred ownership of Mallard Place to Haringey Council.

Redevelopment project pipeline	No. of properties	Residential units	New commercial space (sq. ft.)
Design stage	4	969	228,000

EPC AND NET ZERO

Improving the energy efficiency of our portfolio is key in helping us to achieve our target of being a net zero carbon business by 2030. The energy efficiency upgrades we deliver as part of our planned refurbishment and redevelopment programme means that a significant proportion of our portfolio will be upgraded to EPC A and B ratings by 2030. Excluding these upgrades, we estimate the additional investment needed to upgrade the remaining portfolio (excluding McKay) to EPC A and B ratings by 2030 will be some £35–47m, with a further £15–20m required to achieve full net-zero. Part of this expenditure will be included within our routine maintenance capital expenditure, and we estimate the incremental investment will be c.£5m per year.

The McKay portfolio we have recently acquired is well positioned with 40% of the portfolio (excluding non-core assets) already EPC A and B rated. We estimate the total investment needed to upgrade all these properties to EPC A and B by 2030 will be some £11–13m or c.£2m per year.

PROPERTY ACQUISITIONS AND DISPOSALS

In September 2021 we acquired The Old Dairy, Shoreditch for £43.4m. It provides 57,000 sq. ft. of net lettable space adjacent to our existing business centre, The Frames. We will reposition the property over time to our distinctive, flexible model, which will strengthen our presence and broaden our offering in this exciting and dynamic area of London.

In November 2021 we acquired Busworks, Islington for £45.0m. The former Victorian bus factory provides 103,000 sq. ft. of net lettable space across two conjoined warehouse buildings on 1.6 acres just north of King's Cross, an attractive area for SMEs. We plan to upgrade the building and reposition the offering towards our distinctive, flexible model, creating a flagship centre in North London.

In September 2021, we disposed of 13–17 Fitzroy Street in Fitzrovia, for a total of £92m, a loss on disposal of £3.5m.

In March 2022, we simultaneously exchanged and completed on the disposal of Highway Business Park in Limehouse, for £23.7m for its share of the sale, a significant premium to the 30 September 2021 valuation of £11.6m.

CASH FLOW

The Group generates strong operating cash flow in line with trading profit. A summary of cash flows in the 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, 98% of rent due has been collected to date, including 97% of rent due for the fourth quarter of 2021/22.

£m	31 March 2022	31 March 2021
Net cash from operations after interest	58	39
Dividends paid	(43)	(46)
Purchase of Investment Properties	(88)	–
Capital expenditure	(31)	(26)
Property disposals and cash receipts	122	11
Other	(11)	(2)
Net movement	7	(24)
Opening debt (net of cash)	(565)	(541)
Closing debt (net of cash)	**(558)**	**(565)**

BUSINESS REVIEW CONTINUED

23%

Loan to value as at 31 March 2022

NET ASSETS

Net assets increased in the year by £80m to £1,800m. EPRA net tangible assets (NTA) per share at 31 March 2022 was up 5.3% (£0.50) to £9.88:

	EPRA NTA per share £
At 31 March 2021	9.38
Adjusted trading profit after interest	0.26
Property valuation surplus	0.38
Profit on disposal of investment property	0.04
Dividends paid	(0.25)
Other	0.07
At 31 March 2022	**9.88**

The calculation of EPRA NTA per share is set out in note 9 of the financial statements.

TOTAL ACCOUNTING RETURN

The total accounting return for the year was 8.0% compared to (11.5)% in the year ended March 2021. The total accounting return comprises the growth in absolute EPRA net tangible assets per share plus dividends paid in the year as a percentage of the opening EPRA net tangible assets per share. The calculation of total accounting return is set out in note 9 of the financial statements.

MCKAY ACQUISITION

We completed the acquisition of McKay Securities PLC on 6 May 2022 for a total consideration of £265.7m, comprising £191.1m in cash and 10.5m Workspace shares, and £7.5m transaction costs, representing a 14% discount to NTA acquired (after seller's transaction costs) of £310.3m.

The acquisition comprises 31 assets, with a value as at 31 March 2022 of £495m. A third of the portfolio (by value) are London office buildings, which lend themselves well to our model and are in areas which are complementary to our existing portfolio. A further third of the portfolio are quality office buildings in the South-East, which are well let but provide a good opportunity to selectively test demand for our offering and expand our total addressable market. The remaining third of the portfolio are South-East light industrial assets.

The table below shows the proforma combined group based on the results for the year to 31 March 2022, adjusted for the disposal of Great Brighams Mead, Reading which was held for sale at 31 March 2022 with the sale completing on 4 May 2022, reduced administration expenses which includes the departure of McKay executive team and increased finance costs and net debt reflecting the cash consideration paid for McKay.

The total rent roll of the portfolio at 31 March 2022, excluding Great Brighams Mead, was £23.6m. Assuming 90% occupancy at the estimated rental values at 31 March 2022, the rent roll at these properties would be £27.6m, an uplift of £4.0m.

Workspace will be disposing of non-core assets which are likely to include the light industrial portfolio. Any such asset disposals would result in a reduction in net debt, but would not be expected to have a material impact on trading profit after interest, with any reduction in net rental income being broadly offset by reduced finance costs.

£m	Workspace	McKay	Adjustments	Combined
12 Months to 31 March 2022:				
Net rental income	86.7	20.4	(2.2)	104.9
Administrative expenses	(19.3)	(6.4)	3.2	(22.5)
Net finance costs	(20.5)	(6.2)	(5.9)	(32.6)
Trading profit after interest	46.9	7.8	(4.9)	49.8
No. shares (m)	182.0	91.4		192.5
Adjusted underlying EPS	25.8p	8.5p		25.9p
At 31 March 2022:				
Investment property valuation	2,402	495	(19)	2,878
Net debt	(558)	(170)	(186)	(914)
Other	(44)	(15)	7	(52)
Net assets	1,800	310	(198)	1,912
EPRA NTA per share	£9.88	£3.39		£9.93
LTV	23%	34%		32%

FINANCING

As at 31 March 2022, the Group had £42.3m of cash and £400.0m of undrawn facilities:

	Drawn amount £m	Facility amount £m	Maturity
Private placement notes	300.0	300.0	2025–2029
Green Bond	300.0	300.0	2028
Revolving credit facility	–	200.0	2024
Acquisition facility	–	200.0	2023
Total	600.0	1,000.0	

In December 2021, we agreed a new £200m ESG-linked revolving credit facility ("RCF") replacing the Group's previous revolving credit facility. The facility has an initial term of three years, with the potential to extend by a further two years and to increase the facility amount to a maximum of £300m, subject to lender consent.

In March 2022, we agreed a new £200m acquisition facility with a term of 18 months to fund the acquisition of McKay.

All facilities are provided on an unsecured basis with an average maturity of 4.2 years, or 4.9 years excluding the acquisition facility (31 March 2021: 4.8 years).

At 31 March 2022, the average interest cost of our fixed rate private placement notes and Green Bond was 3.1%. Our revolving credit bank facility is provided at a margin of 1.65% over SONIA with a margin adjustment depending on performance against a number of ESG-related metrics.

At 31 March 2022, loan to value (LTV) was 23% (31 March 2021: 24%) and interest cover, based on net rental income and interest paid, was 4.8 times (31 March 2021: 3.8), providing good headroom on all facility covenants.

BUSINESS REVIEW CONTINUED

In addition to the facilities noted above, with the acquisition of McKay in May 2022, the Group has inherited a £180m revolving credit facility maturing in April 2024 and a £65m term loan from Aviva due May 2030. Both facilities are secured and contain change of control prepayment provisions however there is significant overlap between our existing relationship banks and the McKay lending banks, who have already consented to the change of control. Including the McKay facilities, on a proforma basis, the enlarged Group would have cash and available facilities of £331m, with the combined facilities having an average maturity of 4.1 years and an average effective interest rate of 3.2%.

FINANCIAL OUTLOOK FOR 2022/2023

Over the last year we have seen a good recovery from the impact of the Covid-19 pandemic driven by strong levels of customer demand. Rental income in 2022/23 will be underpinned by the full year benefit of the growth in like-for-like rent roll in 2021/22 of 8.7%. Our opening like-for-like rent roll of £92.9m is over 5% ahead of the average like-for-like rent roll last year. As occupancy recovered to pre-Covid levels, we were able to selectively start increasing pricing with average rent per sq. ft. up 2.5% in the second half of last year. The extent to which this pricing momentum continues will, in part, depend on the impact of any economic downturn on our customers, although our pricing still remains well below pre-Covid levels.

Rental income will be boosted by a full year's contribution from Busworks and The Old Dairy which were acquired part way through last year and by the letting up of recently completed projects, including Mirror Works and Pall Mall Deposit.

The current high levels of inflation will impact both our service charge and administrative costs. In relation to service charge costs, where the majority of the cost is passed on to our customers, we have been able to limit the impact by hedging our energy costs for three years from October 2021. We will also benefit from a reduction in void costs due to increased occupancy levels. Staff costs are the most significant driver of our administration costs and, whilst we have limited inflationary salary increases to 3%, we are seeing higher increases in more junior roles across the Group.

The results for the year will also benefit from the ownership of McKay for 11 months of the year. Rental income from the McKay portfolio will be reduced by the sale of non-core assets but the impact on net rental income will be broadly offset by reduced interest costs. Underlying administrative costs of the McKay business will be reduced by around £3m per annum which includes the departure of the McKay executive team, with one-off synergy realisation costs expected to be around £3m.

Whilst our core debt bears interest at fixed-rates, the majority of the McKay debt, as well as the acquisition facility used to finance the cash consideration for McKay, bears interest at a margin over SONIA, and is therefore subject to changes in market interest rates. Given recent and expected increases in interest rates, we therefore anticipate a slight increase in our average cost of borrowing to around 3.2%.

We expect capital expenditure to double to around £50m in 2022/23 as we progress with planned projects, including at Leroy House.

We expect to complete the sale of the residential element of our planned developments at Riverside, Wandsworth and the Chocolate Factory, Wood Green during this financial year. With these sales and the disposal of non-core assets from the McKay portfolio our LTV will reduce to below 30%.

KEY PROPERTY STATISTICS

		Half Year ended		
	31 Mar 2022	30 Sep 2021	31 Mar 2021	30 Sep 2020
Workspace Group Portfolio				
CBRE property valuation	£2,402m	£2,271m	£2,324m	£2,450m
Number of locations	57	58	58	58
Lettable floorspace (million sq. ft.)	4.0	3.9	3.9	3.9
Number of lettable units	4,482	4,234	4,196	4,147
Rent roll of occupied units	£111.0m	£102.1m	£103.9m	£118.2m
Average rent per sq. ft.	£33.26	£32.28	£33.90	£37.15
Overall occupancy	84.3%	81.2%	77.8%	81.1%
Like-for-like number of properties	39	39	38	38
Like-for-like lettable floor space (million sq. ft.)	2.8	2.9	2.8	2.8
Like-for-like rent roll growth	6.4%	2.1%	(13.9)%	(11.6)%
Like-for-like rent per sq. ft. growth	2.5%	(2.1)%	(9.9)%	(3.3)%
Like-for-like occupancy movement	4.0%	3.8%	(3.9)%	(7.8)%

1. The like-for-like category has been restated in the current financial year for the following:
   - The transfer in of Brickfields and Rainbow Industrial Estate (part) from the completed projects category
   - The transfer out of Leroy House to the refurbishment 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 7 June 2022 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 92.

Further detail on the financial performance and financial position of the Group is provided in the financial statements on pages 204 to 230.

The Directors, have conducted an extensive review of the appropriateness of adopting the going concern basis. More details can be found on page 207. 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 2021 and the Board reviewed the business plan for the five years to 31 March 2026. The Board also reviewed the five year plan in March 2022 in the context of the McKay acquisition.

Whilst the impact of Covid-19 on the Group has reduced in the last 12 months, the war in Ukraine, current high levels of inflation and potential higher interest rate environment means there is an increased risk of an economic downturn.

In addition, the acquisition of McKay in May 2022 has increased Group net debt, with proforma LTV above 30%.

Consideration has been given to a number of downside scenarios covering the period to 31 March 2027.

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

- A stalling of the UK economy, with low levels of GDP growth and inflationary pressure, resulting in a reduction in customer demand over the next two years, compared to current levels
- Like-for-like occupancy reduces by c.5% to 85% over the next two years, with associated increase in void costs and downward pressure on pricing of new lettings, and thereafter a gradual recovery to c.90% by 31 March 2027
- New lettings at below the average price per sq. ft. of vacating customers resulting in an overall reduction in average rent per sq. ft. until like-for-like occupancy levels return to c.90%
- Increase in counterparty risk, with bad debt significantly higher than pre-pandemic levels
- Higher levels of cost inflation
- Higher interest rate environment resulting in an increase in the cost of variable rate borrowings and refinancing costs
- Pipeline redevelopment sales delayed and at reduced sales values
- Requirement to prepay the McKay borrowings in July 2022, on the assumption that terms are not agreed to retain the facilities

The Group's activities, strategy and performance are explained in the Strategic Report on pages 2 to 92, including a description of the Group's strategy and business model on pages 32 to 35 and 14 to 21.

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 4.2 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 59 to 66. Those risks that could have an impact on the ongoing success of the Group's strategy, particularly in light of the current geopolitical situation, were identified and the resilience of the Group to the impact of these risks in severe, yet plausible downside scenarios has been evaluated.

COMPLIANCE STATEMENTS CONTINUED

VIABILITY STATEMENT CONTINUED

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.

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	At the point in the severe scenario modelled where ICR is at its lowest, net rental income would need to reduce by 29% compared to the year to 31 March 2022 (pro-forma including McKay). This represents a 33% 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 severe scenario modelled that LTV is at its highest, the property valuation would need to fall by 50% compared to the valuation as at 31 March 2022.
Changes in the economic and regulatory UK environment impact the availability and pricing of debt.	– Financing	The Group's £200m Acquisition Facility expires in September 2023. Under the scenario modelled, the Group would need to either refinance this facility (in part) when it expires or implement other mitigating strategies, such as asset sales, to ensure full repayment of this facility. Further the Group's £200m RCF facility expires in December 2024. Again, under the scenario modelled, the Group would need to either refinance this facility when it expires or implement other mitigating strategies to ensure full repayment.

Risk sensitivity analyses

The Group benefits from a largely 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 liquidity headroom resulting from an inability to refinance both existing Workspace and McKay 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.

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 23% as at 31 March 2022. Although the McKay acquisition will lead to higher LTV in the short term the Group is committed to maintaining this below 30% in the medium term.

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.

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 14 to 21 and the description of our non-financial key performance indicators can be found on pages 57 to 58.

	POLICIES AND DUE DILIGENCE	OUTCOMES OF POLICIES AND IMPACTS OF ACTIVITIES	RELATED PRINCIPAL RISKS (PAGES 59 TO 66)
ENVIRONMENTAL MATTERS	– Our Sustainability strategy sets out 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 sets 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 to becoming a net zero carbon business by 2030 – We disclose our climate-related risks and opportunities management processes in line with the TCFD recommendations	– See pages 38 to 53 for details of our commitment to environmental matters, including our net zero carbon pathway. Our TCFD disclosure can be found on page 81 and our green finance framework, along with the allocation report, is on our website	See pages 87 to 89 for details of how we manage climate change risk in our business
SOCIAL MATTERS	– Our Sustainability strategy sets out our approach to supporting our employees, customers and suppliers – Our social impact programme demonstrates our commitment to supporting communities in need across London – We pay our direct employees London Living Wage and in April 2022 we also brought all third-party contractors onto the Living Wage	– See pages 47 to 53 for details on how we are focusing on social matters, including our real Living Wage commitment, our social impact programme 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 Sustainability strategy (see pages 47 to 53 for more details)
EMPLOYEES	– Our Code of Conduct sets out the standards of behaviour expected of Group employees and stakeholders on behalf of the Board and demonstrates the Group's commitment to maintaining the highest standard of ethical conduct and behaviour in our business practice – We are committed to diversity and inclusion at all levels of our business. See pages 48, 176 and 193 for more details on our Equal Opportunities Policy – The Group's Health & Safety Committee meets twice per year. The Board receives regular reports and reviews our health & safety processes at least annually, and the Executive Committee receives monthly reports. See pages 193 to 194 for more details on our health and safety policies and procedures – In recognition of the importance of work life balance, in July 2021 we introduced a Hybrid Working Policy. See page 28 for more details on our Hybrid Working Policy	– See pages 24 and 47 to 48 for details of how we looked after our employees during the year, including how we listened to them during the year, our health and wellbeing initiatives (including the launch of Thrive and Health Shield), our diversity and inclusion initiatives and our training and development initiatives – Employees receive induction training and regular reminders on the Code of Conduct	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 59 TO 66)
HUMAN RIGHTS AND MODERN SLAVERY	– Our Anti-Slavery Policy reflects our commitment to upholding human rights and eliminating all forms of forced, slave, bonded or involuntary labour both within our business and our supply chain. All new employees are given training on our Anti-Slavery Policy during inductions and our Employee Code of Conduct reinforces the message that we expect all our staff to work with us to uphold our commitment to preventing modern slavery in our business and supply chains – This year we published a Supplier Code of Conduct on our website, which sets out our expectations of our suppliers, including in respect of modern slavery and human rights. All new suppliers are expected to read and abide by the Supplier Code of Conduct – We care about, respect and support internationally proclaimed human rights. We consider the risk of modern slavery and human trafficking to be very low in our business, however, we regularly monitor and review our risk profile and emerging regulatory guidance and will take any necessary actions to improve and strengthen our practices – Our modern slavery statement is published on our website annually and is available at https://www.workspace.co.uk/investors/sustainability/our-policies Our modern slavery statement sets out the steps the Group has taken and is taking to help prevent slavery and human trafficking in our business and supply chains	– 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 (2021: Nil)	Risk 7 – Resourcing Risk 9 – Regulatory
ANTI-BRIBERY AND CORRUPTION	– Our Anti-Bribery and Corruption Policy, which is reviewed by the Board annually, 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 and Hospitality Policy, which requires employees to seek approval whenever offered or offering a gift or hospitality valued over £20 (whether they are accepted or refused) – 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 – All staff receive training on the Anti-Bribery and Corruption Policy, including the Gifts and Hospitality Policy, as part of their induction and regular reminders are sent to all staff. In 2022 we introduced additional annual staff refresher training videos – No incidences of bribery or corruption have been identified (2021: 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 59 TO 66)
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 (2021: Nil)	Risk 9 – Regulatory
DATA PRIVACY	– We take our 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 monitor guidance and practice in this area and continue 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	– The Board continues to place high value on data privacy, and privacy is embedded throughout the organisation. Regular reports are provided to the Executive Committee and the Board – Staff are aware of their duties in relation to 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 – Data privacy is a key consideration whenever new projects are contemplated or changes to existing arrangements are proposed	Risk 9 – Regulatory
CONFLICTS OF INTEREST	– In accordance with HR policies and the Code of Conduct, employees are required to notify the Company of any conflict of interest. The Board is also subject to these policies and is regularly reminded of their duty to notify us of any interest in an existing or proposed transaction with the Group – All conflicts are recorded on a central register and we have procedures in place for managing 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 (2021: Nil)	Risk 9 – Regulatory
WHISTLEBLOWING	– We have a Whistleblowing Policy which provides employees with information on how they can report, anonymously if they wish, any concerns about impropriety or wrongdoing within the business – Employees have access to an independent telephone line 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 (2021: Nil)	Risk 7 – Resourcing Risk 9 – Regulatory

COMPLIANCE STATEMENTS CONTINUED

TCFD

Workspace considers climate change as a risk and a material issue. In line with the 'Task Force on Climate-related Financial Disclosures' (TCFD) recommendations, since 2019 Workspace has provided information to stakeholders on its climate related risks and opportunities, in turn helping them to make informed decisions.

This year we have further evolved our understanding of material climate risks and opportunities, and their potential impact using a number of climate change scenarios. This assessment has provided us with an indepth view of the levels of risks across the portfolio and helped us test the resilience of our strategy. We also have a more robust understanding of the opportunities to Workspace, arising from the transition to a low carbon economy. We have used the findings of this assessment to update our approach to risk management, implement a strategy to mitigate material risks and maximise the opportunity. Aligned to this is our 2030 net zero carbon commitment, which ensures we are closely managing our transition risks and building resilience within the business.

The following section includes our comprehensive TCFD disclosures, including details on climate change scenarios and how they may affect our business in the short and long term. The information presented in this section pertains to Workspaces portfolio only and we will be including the McKay portfolio in our TCFD report next year.


Solar panels at Metal Box, Borough

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED

1 Governance

The role of the Board

Our Chief Executive Officer has the highest level of responsibility for climate related risks and opportunities and together with the rest of the Workspace Board, ensures we are effectively incorporating climate related considerations in business strategy and decision making. The Workspace Board receives a detailed update on our sustainability and climate related goals at least twice a year, from the Executive Committee and the Head of Sustainability. During the year, the Board considered the following climate related issues: delivery of our net zero target, associated investment plan, compliance with changes to Minimum Energy Efficiency Standard (MEES) and our ESG linked financing.

Going forwards, the newly established Board ESG Committee will allow for even greater focus and oversight of climate-related risk and opportunities. We have also linked sustainability and climate-related performance measures to the Executive Directors' remuneration, accounting for 24% of their bonus weighting. See page 181 for further details.

This year the Board reviewed the principal risk register twice and through the Executive Committee achieved oversight of our operational risks, which include our climate change risks. This information is provided to the Executive Committee via the Risk Management Group, comprising senior members from different parts of the business. The Risk Management Group meets monthly and is responsible for monitoring and implementing the Board's risk management activities, including climate risk.

Management responsibility

The day-to-day management of climate related issues is managed by our Sustainability Committee. The Sustainability Committee is chaired by our Head of Sustainability and is made up of cross functional members who head up various business departments, such as development, asset management, facilities management, investment and support functions. The committee includes a number of Executive Committee members, which ensures senior level ownership and oversight of implementation plans and also streamlines communication to the wider Executive team and the Board. The Sustainability Committee meets monthly and is responsible for setting and operationalising our sustainability and climate related objectives, and hence is well positioned to manage, report, communicate and inform our approach on climate related issues.

We have embedded climate change considerations across the business, ensuring there is clear oversight and accountability at each level – at Board level, at Executive level and at operational delivery level. Further, all employees have sustainability related targets linked to their remuneration, ensuring each of us are playing our part in transitioning to a net zero business and building resilience for the long term.

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED

2 Strategy

Climate change risk and opportunity

As a responsible business, we consider climate related risks and opportunities across all our portfolio and business wide activities. We have identified several physical and transition risks arising from climate change and are committed to actively managing these risks. Due to the nature of our business model, Workspace are also in a position to capture several opportunities arising from the transition to a low carbon economy.

We have worked with Willis Tower Watson to identify and assess the impact of climate related risks through quantitative and qualitative scenario analysis, considering short term (to 2025), medium term (2025–2030) and long term (to 2050 and beyond) time horizons. Our analysis is based on two pre-defined climate scenarios – a 4°C global temperature rise scenario in line with the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP 8.5) and a 1.5°C global temperature rise scenario in line with RCP 2.6.

The 4°C warming scenario assumes that the markets, governments and society will continue business as usual with increasing adoption of energy and resource intensive lifestyles and abundant exploitation of fossil fuels. There will be limited action taken to mitigate climate change in this scenario and hence as a result in the period after 2030, the physical effects of climate change will begin to intensify rapidly.

The 1.5°C warming scenario assumes proactive and sustained action to reduce carbon emissions over the next 30 years to build a low carbon economy, in the form of stringent Government policies on stricter energy efficiency building codes and carbon taxes. There will also likely be significant public and private sector investment in low emissions technologies to help the global economy achieve net zero goals by 2050. Overall, this scenario would result in higher transition risk in the short and medium turn. Given the warming over pre-industrial levels is going to be limited, the extent of physical risk will only be slightly higher than it is today.

Our assessment looked at two impact areas:

Risks related to the physical impacts of climate e.g. direct damage to property or supply chain disruption

ACUTE CLIMATE RISKS	CHRONIC CLIMATE RISKS
Winter storm	Heat stress
Tornado	Precipitation
River flood	Drought
Flash flood	Fire weather
Coastal flood	Sea level rise
Hailstorm	
Lightning	

Risks and opportunities related to the transition to a lower-carbon economy

POLICY AND LEGAL RISKS/ OPPORTUNITIES	– Pricing of GHG emissions – MEES requirements (EPC B by 2030) – Climate Change litigation – Enhanced emissions reporting obligations – Increasingly stringent planning requirements
TECHNOLOGY RISKS/ OPPORTUNITIES	– Substitution of existing technology to lower emissions options
MARKET RISKS/ OPPORTUNITIES	– Change in customer demands – Increased cost of raw materials – Increased cost and availability of electricity – Cost of capital – Emissions offset
REPUTATION RISKS/ OPPORTUNITIES	– Investment risk – Employee risk

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED

STRATEGY CONTINUED

To assess the physical risks, the team at Willis Tower Watson conducted an asset by asset exposure analysis for a range of climate risks at the present day, as well as for future years under the selected scenarios. Data used for the analysis includes state of the art models and databases within the insurance industry (WTW Global Peril Diagnostic, MunichRe hazard database, SwissRe CatNet), climate models, published research and information from IPCC. The assessment was further supplemented with local information and data that we hold on the assets.

To assess the transition risks, we conducted scenario analysis using the guidance issued by TCFD. The scenario used for the analysis aligns with projections to keep global warming below 1.5°C above pre-industrial temperatures and it was constructed based on a variety of sources including RCP 2.6 scenario from IPCC, International Energy Agency (IEA) and the Network for Greening the Financial System (NGFS). NGFS has also been used as a primary source for carbon price estimates.

Potential transition risks to Workspace were identified and articulated using academic research and discussions with Workspace teams (as shown in table on page 83). Risks were assessed in terms of impact and probability via a series of subject matter expert interviews with Workspace teams (such as finance, investment, technology, legal, development, HR and leasing). Where the risk criteria allowed for quantification, financial impacts were estimated using assumptions and likelihood assessed and aligned to our Enterprise Risk Management (ERM) risk rating criteria (Details of our ERM framework and criteria can be found on page 87).

Our analysis showed that all of London and the South East could be exposed to a mix of acute and chronic climate risks such as flooding, windstorm, drought and heat stress, thereby affecting our properties as well. Heat stress will also result in increased operational costs associated with higher cooling demand, although this increased cost would be significantly offset with lower heating costs due to warmer winters. Overall, the analysis showed that the impact of chronic risks would become more evident in the long term while some impact from acute risks could be felt today.

On transition risk, the impact is evident even now, and could be significant under the 1.5°C warming scenario due to stringent policy requirements, increasing customer expectations and expected raw materials price increases. However, through our sustainable business model we hold an advantage over our peers and have committed to an early net zero target (2030), thereby minimising our risk. We are also well positioned to capture the transition opportunities, such as operational cost efficiencies, lower cost of capital and changing customer demands. The table below shows the summary of our risks and opportunities across the various time horizons and considering the two warming scenarios.

The Leather Market, Bermondsey

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED

STRATEGY CONTINUED

	SHORT TERM (TO 2025)	MEDIUM TERM (2025-2030)	LONG TERM (TO 2050+)
1.5 °C SCENARIO	**Moderate transition risk resulting from:** – MEES requirements for all commercial buildings to be EPC B by 2030, requiring investment in energy efficiency upgrades across the portfolio – Changing customer demands on sustainability, requiring swift adaptation of our older buildings to meet high sustainability standards	**Slight increase in transition risk resulting from:** – Continued MEES requirements – Increase in planning requirements, resulting in higher upfront investment in energy efficiency or offsetting – Increased costs of raw materials – Increased costs associated with offsetting of scope 3 emissions	**Limited Transition risk in the long term, assuming the UK economy has already transitioned to a low carbon world**
	Transition opportunity arising from: – Operational cost savings and efficiencies from upgraded EPCs and implementation of low carbon technologies – Enhanced customer attractiveness due to our ability to meet their expectations on sustainability across many of our new and refurbished buildings – Access to green finance	**Transition opportunity continues to exist** due to operational cost savings, customer expectations and access to green finance	**Limited Transition opportunity in the long term, assuming the UK economy has already transitioned to a low carbon world**
	No significant changes to current physical risks: – Existing moderate exposure to windstorm – Flood risk exposure at two buildings – Moderate risk from localised flash flooding across a handful of buildings	**No significant changes to current physical risks**, other than the already existing moderate exposure to windstorm (unrelated to changing temperature), flood risk at two buildings and localised flash flooding across a handful of buildings	**Smaller manageable changes in physical risks**, in terms of slightly warmer winter and drier summers, in addition to the already existing moderate exposure to windstorm, flood risk at two buildings and localised flash flooding across a handful of buildings
4°C SCENARIO	**Transition risk non existent in this scenario, in the short term** **No significant changes to current physical risks**, other than the already existing moderate exposure to windstorm (unrelated to changing temperature), flood risk at two buildings and localised flash flooding across a handful of buildings	**Transition risk non existent in this scenario, in the medium term** **No significant changes to current physical risks**, other than the already existing moderate exposure to windstorm, flood risk at two buildings and localised flash flooding across a handful of buildings	**Failure to transition resulting in increase in physical risks:** – Continued moderate exposure to windstorm, flood risk at two buildings and localised flash flooding across a handful of buildings – Increased drought risk across all buildings – Increased heat stress across all buildings, resulting in increased electricity consumption for cooling by an average of 1-6% at 2050s and potentially larger in the decade beyond. We also expect our heating demand to drop by 15-25% on average

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED

STRATEGY CONTINUED

Strategy and financial planning

Our sustainability strategy has a key focus on climate change mitigation and adaptation, ensuring we are minimising the environmental impact of our portfolio and building resilience for the long term. We are delivering on this ambition by embedding climate considerations across the property lifecycle: Development, Investment and Asset Management.

Development: As a business, our primary focus is on repurposing old buildings to higher standards and hence inherently our activity is less carbon intensive than some of our peers. However, we continue to focus on further minimising our environmental and carbon impact, ensuring what we build is fit for the future. Our sustainable development brief requires all our development and refurbishment projects to meet high energy and carbon specifications, thereby minimising our exposure to risks such as MEES, stringent planning requirements, raw material costs and increased customer demands. We also ensure that we test our design brief against physical risks such as heat stress and flooding.

Investment: We conduct sustainability due diligence prior to acquisition to assess climate related risks associated with the building and forward plan the investment and interventions required to mitigate any material risks.

Asset management: Our flexible business model allows us to implement a rolling programme of light refurbishments across the existing portfolio, to ensure we continue to improve the energy and carbon performance of all our buildings and remain compliant with legislation. Our flood risk assessment has also helped us prioritise adequate defences and mitigation plans for exposed assets.

Climate considerations also inform our business financial planning. We have created a comprehensive investment plan to transition our portfolio to net zero carbon and upgrade EPC to A and B (see page 44) and this has enabled us to forward plan investments on interventions such as energy efficiency technology, decarbonising heat, onsite renewables and sustainable materials and construction practices. Considering our long term approach, we favour directing climate related investment on our portfolio, as opposed to offsetting. To ensure we have access to capital at competitive rate, we have also linked our financing to climate related criteria (£300m Green Bond and £200m ESG-linked revolving credit facility).

Resilience of strategy

The climate scenario assessment undertaken has revealed that our overall exposure to climate related risks is fairly limited (see table on page 85). The geographic concentration of our portfolio in London means we are generally well protected from acute hazards such as river floods and irreversible sea level rise. Our transition risks are lower as well because of our sustainable business model, whereby our carbon and energy intensity is lower compared to the industry average. Our focus on repurposing our older buildings to meet high sustainability and performance standards ensures we are building in resilience to climate factors across the portfolio. Our robust operational platform and onsite management control, allows us to proactively manage environmental performance of our assets and optimise emissions in use.

Given our long term approach, coupled with our flexible lease model which allows us to invest across our portfolio in a timely manner and actively address climate risks, we are confident that our strategy is resilient against plausible climate scenarios. Further, our pathway to become net zero carbon by 2030 (see page 44), ensures we are aligning our business to a 1.5°C warming scenario and mitigating any potential risks.

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED

3 Risk management

Enterprise risk management framework

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

We have an established Risk Management Framework in place to help us capture, document and manage risks facing our business. With the integration of the Board Risk Committee with the Board Audit Committee, going forwards, the Board Audit Committee along with the full Board will have overall responsibility for risk management. See our Risk Management Framework on page 160.

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.

Identifying and assessing risk

Overall, we identify risks across two key areas: Principal Business (Strategic) risks and Operational risks. Climate related risks have been factored in both these categories.

The low, medium, high risk severity score is determined using the following calculation: Impact x Probability, which provides a weighted impact scoring, The impact is determined on a scale from 1 (low) to 3 (severe) based on revenue, property valuation, health & safety and reputational consequences. Probability is determined on a scale from 1 (unlikely) to 4 (almost certain), considering the likelihood of the risk materialising within a five-year period.

The scenario analysis conducted with Willis Tower Watson helped us assess the level of exposure to climate risk and determine its financial materiality using a structured template to capture any impact to profit and loss and impact to balance sheet. Depending on the extent of planned mitigation measures in place, as already captured in our net zero pathway and existing business processes, we were able to narrow down the key risks which had a level of residual impact that we will continue to manage effectively. These are captured in the table below along with current mitigation strategy for the two climate scenarios we have assessed.

Pill Box, Bethnal Green

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED

RISK MANAGEMENT CONTINUED

RISK	EVALUATION OF RESIDUAL RISK	MITIGATION STRATEGY
TRANSITION RISKS AND OPPORTUNITIES – 1.5°C WARMING SCENARIO		
POLICY AND LEGAL – EPC RATING REQUIREMENTS	– 37% of Workspace portfolio is rated C and 35% is rated D and E. Additional investment of £35–47m will be required to meet EPC A/B across the portfolio by 2030 (c. £5m annually) – However, taking into account the annual maintenance capex for ongoing refurbishments throughout the year, the actual additional investment required will be much lower than £5m a year – **Opportunity:** There will be an opportunity arising from higher operational savings due to upgraded environmental performance	– Additional 30% of the portfolio will be upgraded as part of development and refurbishment pipeline in the next 5 years – For the rest of the buildings/units below EPC A and B, process is in place to ensure EPC is upgraded as units become vacant – A rolling programme of EPC and Net Zero audits are being undertaken to identify asset level upgrade plans – Detailed investment plan is created for annual budgeting purposes – Central register created to track EPC compliance status monthly
POLICY AND LEGAL – INCREASINGLY STRINGENT PLANNING REQUIREMENTS	– Workspace is currently able to meet London Plan requirement of 35% emissions reduction over Part L. Most of our schemes achieve c. 45% savings – If the requirements were to get more stringent in future (say 50% reduction or inclusion of offsetting for upfront carbon at planning stage), we would need to design buildings differently, which could raise project costs	– By implementing our net zero design brief, we are able to achieve 45% reduction at minimal incremental cost – Continual tracking of planning requirements to inform our design brief – Strategy in place to minimise whole life carbon through responsible design and material choices
MARKET – CHANGE IN CUSTOMER DEMANDS	– Based on a recent survey, nearly 20% of our customers factor in sustainability as one of the top criteria in their choice of office space – By 2030, our portfolio will be net zero carbon, ensuring we are well placed to meet changing customer expectations and capture more market share by being ahead of the peers – In the interim, there is some risk to our older properties which are not in the top tier of energy/carbon performance and are awaiting upgrades – **Opportunity:** There will also be an opportunity from increased customer demands (i.e. successful lettings, high occupancy) for our newly refurbished or developed buildings that meet high sustainability standards	– Our net zero pathway ensures we continue to enhance our portfolio to meet changing customer demands – Through continual collection of customer preferences and data, we intend to proactively manage customer expectations – Improved communications with customers on our sustainability efforts further strengthen customer satisfaction
MARKET – INCREASED COST OF RAW MATERIALS	– We expect the costs of carbon intensive raw materials (such as cement, steel) will increase in the future – Depending on our build activity in a year and percentage of cost passed on by suppliers, we estimate the additional cost of raw materials to increase by around £1m annually (excluding inflationary increases)	– Our focus on repurposing limits our exposure to raw materials and associated cost increased – Continued efforts to explore new materials and technologies will help further reduce embodied carbon of our developments
MARKET – EMISSIONS OFFSET	– Our baseline emissions footprint is around 34,000 tonnes of CO_2. Our net zero pathway will deliver on zero scope 1 and 2 emissions by 2030. We will however have residual scope 3 emissions that will be offset to achieve net zero carbon – Applying UCL projected cost of carbon at $50 per tonne*, this could cost us upto £400K annually (assuming worst case scenario for scope 3 reduction). *Source: https://www.ucl.ac.uk/news/2021/jun/ten-fold-increase-carbon-offset-cost-predicted	– Continue to drive progress on our net zero pathway to achieve zero scope 1 and 2 emissions – Continued efforts to explore new materials and technologies to reduce embodied carbon of our developments and hence limit offsetting needed for scope 3 emissions

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED

RISK MANAGEMENT CONTINUED

RISK	EVALUATION OF RESIDUAL RISK	MITIGATION STRATEGY
PHYSICAL RISKS – 1.5°C WARMING SCENARIO		
WINDSTORM	– Most of our buildings could be exposed to a medium risk of windstorm and missile impact from flying debris. The risk profile will likely remain within the current levels of variability, with changing temperatures	– Business continuity and emergency response planning measures in place to minimise potential impact in case of storm warnings – Protection against portable and not secured items in building vicinity is being incorporated
RIVER FLOOD	– Flood defences provide an adequate level of protection however there are some local areas at risk which exposes 2 of our buildings. The impacts could be water ingress, damage in lower floor and some level of interruption to the business. The risk profile does not significantly change with time or changing temperatures	– Comprehensive flood risk management plans created for exposed assets – Business continuity and emergency response planning measures put in place in case of flooding – Flood mitigation measures being incorporated in design of new projects – Insurance protection in place in case of physical damage or interruption
LOCALISED FLASH FLOODING	– Whilst the precipitation stress due to heavy rainfall is likely to stay the same, a handful of our buildings could be exposed to localised flash flooding due to local terrain features which could cause water ingress and damage in lower floors. The risk profile is not likely to change with time or changing temperatures	– Comprehensive flash flood risk assessment being undertaken across the portfolio – Business continuity and emergency response planning measures put in place to minimise impact in case of high precipitation warning – Regular drainage survey being undertaken across select buildings to ensure sufficient water attenuation on site – Flood mitigation measures being incorporated in design of new projects, including blue roofs and rain water harvesting systems
PHYSICAL RISKS – 4°C WARMING SCENARIO*		
DROUGHT	– Under this climate scenario, London and South East of the UK could be exposed to drought stress, affecting all our properties. Whilst our water consumption is not material, this would result in slightly increased utility costs	– We are incorporating grey water reuse and recycling systems and installing water efficient fittings across our buildings – Our landscaping has been designed to bear warmer climates in mind
HEAT STRESS	– In this scenario, by end of the century, London and South East of the UK could be exposed to medium level of exposure to heat stress resulting in the number of heatwave days increase with over 20 days per year, thereby affecting all our properties. On average, there will be an increase in our cooling demand (1–6%). The scenario will also result in milder winters, which would in turn reduce our heating demand by 15–25% on average. In the short term, heat stress will not be a significant issue despite slight increase in heatwave days	– A rolling programme of air conditioning is being implemented across the portfolio to ensure customers are comfortable in high temperatures – Additional measures such as outdoor greenery and shade being incorporated to provide ‘refuges’ in hotter weather conditions – Review of current heating and cooling usage being undertaken to ensure we continue to optimise consumption, in response to outdoor temperatures

* Note: Under the 4°C warming scenario – windstorm, flood risk and flash flood risk will exist as well, and potentially could edge further. However, the risk profile will not change significantly in the short-term. The mitigation strategy listed above will continue to be effective.

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED

4 Metrics and Targets

Metrics used to assess climate related risks and opportunities

To understand our climate related impact and performance we report on a wide range of consumption and intensity metrics relating to energy, carbon, waste and water, such as:

- Total energy consumption (page 91)
- Total electricity consumption, including proportion generated from renewables (page 91)
- Proportion of electricity sourced from renewable sources (page 41)
- Total fuel consumed on site (page 91)
- Building emissions intensity by floor area (page 91)
- Total emissions from water consumption
- Total emissions from waste, waste recycled and diverted from landfill
- EPC split of the portfolio by floor area page 44)
- Number of buildings with sustainability certification (page 37)
- Number of energy efficiency projects implemented and associated capital expenditure (pages 41 and 92)
- Number of buildings exposed to flooding (page 85)

Scope 1, Scope 2 and Scop3 GHG emissions and related risks

Carbon emissions represent one of our largest environmental impacts and we are actively working to reduce our sources of carbon where possible (see our net zero carbon pathway on page 41). 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 91 for our Scope 1, 2 and 3 greenhouse gas emissions data and year on year changes (calculated using GHG protocol).

Targets used to manage climate related risks and opportunities

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 target is to deliver a net zero carbon business by 2030. This is underpinned by the following emissions reduction targets:

- Reduce scope 1 and 2 emissions to zero by 2030 (Note: this supersedes our previous science-based targets, requiring only 42% reduction in scope 1 emissions)
- Decarbonise heating from our portfolio by 2030
- Source 100% energy from renewable sources
- Undertake whole life carbon assessment of all development and refurbishment projects
- Reduce scope 3 emissions from capital goods by 20% per square foot of net lettable area by 2030, from a 2020 base year

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED

METRICS AND TARGETS CONTINUED

GHG/SECR Emissions

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

Source of emissions	2019/20 Baseline Year	2021/22 Reporting Year	2021/22 vs. 2019/20 % change
Scope 1 (Direct)	**3,451**	**3,288**	**-5%**
Gas (tCO_2e)	2,620	2,371	-9%
Fugitive Emissions (tCO_2e)	828	916	11%
Vehicle Emissions (tCO_2e)	3	0.54	-82%
Scope 2 (Energy Indirect)	**7,124**	**5,168**	**-27%**
Electricity (location based) tCO_2e	7,021	5,069	-28%
Electricity (market based) tCO_2e	0	0	0%
Purchased Heat (location based) tCO_2e	103*	99	-3%
Total Scope 1 &2 (Location Based)	**10,575**	**8,456**	**-20%**
Energy Consumption used to calculate above emissions (kWh)	42,311,964	37,403,021	-12%
Intensity Ratio: Net Lettable Area tCO_2e/sq. ft.	0.003	0.002	-21%
Intensity Ratio: Gross Internal Area tCO_2e/sq. ft.	0.002	0.001	-20%
Scope 3 (Other Indirect)	**23,358**	**8,535**	**-63%**
Purchased Electricity Transmission & Distribution (tCO_2e)	596	449	-25%
Customer Direct Energy (tCO_2e)	3,265	1,765	-46%
Water Supply (tCO_2e)	91	29	-68%
Water Treatment (tCO_2e)	187	53	-72%
Waste Management (tCO_2e)	82	59	-28%
Heat – Transmission & Distribution (tCO_2e)	7	5.2	-26%
Embodied carbon in development projects	11,294**	4,094	-64%
Purchased goods and services	7,678	1,951	-75%
Employee Commuting	84	130	55%
Business Travel	74	0	-100%
Total Scope 1, 2 & 3	**33,933**	**16,992**	**-50%**
Energy Consumption (KWh)	**53,632,791**	**45,005,836**	**-16%**
Total gas use – whole building (kWh)	14,248,087	12,945,753	-9%
Total electricity – whole building (kWh)	38,801,849	31,480,001	-19%
Total purchased heat – whole building (kWh)	582,855	580,082	0%
Total energy consumption – whole building (kWh)	53,632,791	45,005,836	-16%
Self generated renewable electricity (kWh)	129,533	160,976	24%

* Due to an increase in data availability and accuracy, purchased heat emissions for the baseline year has been amended from 130 tCO_2 to 103 tCO_2.

** Whilst there is no standardised carbon emission factor for calculating embodied carbon emissions from buildings, recent industry publications along with our assessment of whole life carbon of current Workspace projects have led to a re-baselining of our 2019/20 embodied carbon emissions, using the following factors:
- 1000 $kgCO_2/m^2$ for new developments. This factor refers to the non-domestic baseline embodied carbon figure on page 54 of the following document, published by the London Energy Transformation Initiative: https://www.leti.london/_files/ugd/252d09_3b0f2acf2bb24c019f5ed9173fc5d9f4.pdf
- 500 $kgCO_2/m^2$ for major refurbishments. A third party whole life carbon analysis of our current Leroy House project evaluated the project's embodied carbon intensity at 231 $kgCO_2/m^2$. We are taking a conservative approach and assuming that our historic major refurbishment projects have been at least twice more carbon intensive, hence the 500 $kgCO_2/m^2$ factor.
- 250 $kgCO_2/m^2$ for minor refurbishments: The assumption here is that lighter refurbishment works would be less carbon intensive than major refurbishment works. This is because carbon intensive structural works such as façade, cladding and glazing, are not in scope in case of minor refurbishments.

COMPLIANCE STATEMENTS CONTINUED
TCFD CONTINUED

METRICS AND TARGETS CONTINUED

METHODOLOGIES

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.

REPORTING PERIOD
1 April 2021 – 31 March 2022.

REGULATORY
Part 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

BOUNDARY
Operational control, UK only. Scope 1 and 2 emissions include tenant consumption where we procure gas, electricity or heat on their behalf.

VERIFICATION
Verified to the international standard ISO 14064-3:2019 Specification. Limited level of assurance, based upon a 5% materiality threshold. The full assurance statement can be found on the website.

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). World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: Corporate Value Chain (Scope 3).

OTHER
When reporting totals, the location-based emissions are used.

All market-based emissions are backed by Renewable Energy Guarantees of Origin (REGOs).

Performance

Our operational emissions have decreased significantly this year. Whilst some of this reduction is attributed to partial lock downs last year, the main reason for reduction is our energy monitoring programme and our investment in energy efficiency across a number of buildings.

Our scope 1 emissions have decreased by 5% compared to 2019/20. The real driver for this change was the reduction in our gas emissions due to better controls strategy and replacement of old gas boilers with high efficiency heatpumps in a number of our buildings. However, our fugitive emissions have increased slightly due to improved data availability this year.

Our scope 2 emissions (location based) have decreased by 27% compared to the baseline year. This is due to a number of factors, including investment in energy efficiency upgrades of our buildings, decrease in the carbon dioxide emission factor for UK electricity generation, and partial lockdown periods during last year. Note: 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).

Overall, this has also led both intensity ratios to reduce since the baseline year.

Our scope 3 emissions have decreased due to data quality improvements, particularly in calculating the embodied carbon associated with our development and refurbishment activity. There has also been a change in the number of customers and downstream leased assets procuring their own energy directly from suppliers. The emissions associated with waste management have decreased by 28% compared to the previous year due to the increase in recycling rate and reduction in total waste generation across the portfolio.

Energy Efficiency Action Taken during 2021/22:

We have proactively identified and delivered a range of energy efficiency projects across our portfolio (c. 30 upgrade projects across the portfolio last year), such as LED and PIR lighting upgrades, installation of double glazing and a rolling programme of high efficiency heat pumps. We have also benefited from improved data management and customer engagement initiatives across a number of our buildings.

We have continued to roll out our Building Energy Management System (BEMS), Optergy, 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 portal is now live at a number of our sites and enables us to log in to view and monitor our energy consumption profiles, down to the unit level.

INTRODUCTION TO CORPORATE GOVERNANCE

Good governance is fundamental to creating and maintaining an effective sustainable business. We are confident that we have the right governance structure, a distinct culture and a clearly defined purpose.

Stephen Hubbard
Chairman

QUICK LINKS

INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

Key governance activities

LOOK OUT FOR THESE THROUGHOUT THE REPORT:

- Reference to another page in the report
- Reference to further reading online
- Return to last viewed page
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WHAT MAKES A HIGH-PERFORMING BOARD

Board effectiveness review focused on what makes a high-performing Board

131

APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Appointment of Duncan Owen, Manju Malhotra and Nick Mackenzie as new Non-Executive Directors

98

CHAIR OF THE AUDIT COMMITTEE

Appointment of Rosie Shapland as Senior Independent Director and Chair of the Audit Committee

98

CHAIR OF THE REMUNERATION COMMITTEE

Appointment of Lesley-Ann Nash as Chair of the Remuneration Committee

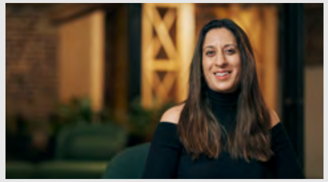
140

REVIEW OF COMMITTEE STRUCTURE

Establishment of a Board ESG Committee

> "Our diverse Board has continued its focus on strong governance in its activities this year."

Duncan Owen
Page 104



Manju Malhotra
Page 104

Nick Mackenzie
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INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

Kennington Park, Oval

How we comply with the UK Corporate Governance Code 2018

ABOUT THIS REPORT

The Governance section has been structured around the Code Principles (A to R).

COMPLIANCE STATEMENT

The Board confirms that, for the year ended 31 March 2022, we have complied with all of the provisions of the UK Corporate Governance Code 2018 other than Provision 32 of the Code regarding the appointment of Lesley-Ann Nash as Chair of the Remuneration Committee. An explanation of this can be found on page 98. The application of the Code's Principles is evidenced throughout the Annual Report and the table overleaf shows how the Governance section has been structured around the Code Principles (A to R).

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

INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

HOW WE COMPLY WITH THE UK CORPORATE GOVERNANCE CODE 2018 CONTINUED

Board leadership and company purpose

Page 100

PRINCIPLE A

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

Page 102 Our Board
Page 131 Board succession and appointment of new Non-Executive Directors
Page 139 Board evaluation

PRINCIPLE B

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

Page 4 Our purpose in action
Page 32 Our strategy
Page 36 Sustainability

PRINCIPLE C

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

Page 14 Our business model
Page 119 Our Governance framework
Page 155 Risk Committee Report
Page 59 Principal risks and uncertainties

PRINCIPLE D

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

Pages 23 and 107 Our stakeholders
Page 113 Section 172(1) statement

PRINCIPLE E

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

Page 4 Our purpose in action
Page 36 Sustainability
Page 80 Whistleblowing Policy

Division of responsibilities

Page 116

PRINCIPLE F

The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

Page 117 Board roles and responsibilities
Page 98 Chairman's governance letter
Page 139 Board evaluation

PRINCIPLE G

The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

Page 117 Board roles and responsibilities
Page 120 Non-Executive Directors
Page 122 The relationship between the Board and Executive Committee

PRINCIPLE H

Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

Page 117 Board roles and responsibilities
Page 120 Non-Executive Directors

PRINCIPLE I

The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

Page 119 Our Governance framework
Page 125 Information flow to the Board

INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

HOW WE COMPLY WITH THE UK CORPORATE GOVERNANCE CODE 2018 CONTINUED

Composition, succession and evaluation

Page 127

PRINCIPLE J
Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained by the board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Page 131
Board succession and appointment of new Non-Executive Directors
Page 136
Inclusion and diversity

PRINCIPLE K
The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

Page 134
Board composition

PRINCIPLE L
Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

Page 139
Board evaluation

Audit, risk and internal control

Page 143

PRINCIPLE M
The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

Page 143
Audit Committee Report

PRINCIPLE N
The board should present a fair, balanced and understandable assessment of the company's position and prospects.

Page 151
Fair, balanced and understandable assessment

PRINCIPLE O
The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

Page 119
Our governance framework
Page 155
Risk Committee Report
Page 59
Principal risks and uncertainties

Remuneration

Page 162

PRINCIPLE P
Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.

Page 164
Remuneration Committee Chair letter
Page 166
Remuneration at a glance
Page 171
Our remuneration policy

PRINCIPLE Q
A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.

Page 164
Remuneration Committee Chair letter
Page 171
Our remuneration policy

PRINCIPLE R
Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

Page 164
Remuneration Committee Chair letter
Page 176
Our approach to fairness and wider workforce considerations

INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

Chairman's Governance Letter

"Our governance framework is fundamental to the way we operate and sets the tone and standards for our business."

7 June 2022

Dear Shareholder

I am pleased to introduce our Corporate Governance Report for the year ended 31 March 2022. The Board remains committed to maintaining effective corporate governance and integrity, enabling us to deliver our strategy for the long-term benefit of our stakeholders.

Board and Committee changes

During the year, we have continued to focus on Board succession to ensure that we have the appropriate balance of skills, experience and diversity in order to support the business.

The Board has been further strengthened by the addition of three new Non-Executive Directors, Duncan Owen, Manju Malhotra and Nick Mackenzie, during the year. Each of our new Directors perform executive roles and are CEOs running businesses in the property, retail and hospitality sectors. They bring a fresh and complementary perspective to an existing Board of Directors, who already bring valuable expertise and knowledge, from diverse roles in property, finance and government.

These appointments were the subject of a formal, rigorous and transparent process led by the Nominations Committee. More information on this and the induction programme for each of our new Directors can be found on page 133.

Chris Girling retired from the Board in February 2022. I would like to thank Chris for his valued contribution to the Board over the last nine years and his considered chairmanship of the Audit Committee and the significant insight and support he provided as Senior Independent Director.

Rosie Shapland was appointed as our Senior Independent Director in February 2022 and assumed the role of Chair of the Audit Committee after the AGM in July 2021.

Lesley-Ann Nash formally joined the Remuneration Committee on 19 January 2021 and was subsequently appointed as Chair of the Remuneration Committee, with effect from 10 September 2021. While we note the Code requirement that remuneration committee chairs should have served on a remuneration committee for at least 12 months prior to their appointment, we have every confidence that Lesley-Ann has the capability to carry out the role. The Board was satisfied that, on appointment as Remuneration Committee Chair, Lesley-Ann had the skills and experience required for the role, based on her strong contribution over nine months as a member of the Remuneration Committee.

Damon Russell will have served nine years on the Board in May 2022, and so will retire at our 2022 AGM. On behalf of the Board, I would like to thank Damon for his strong contribution to the business over the years.

Suzi Williams stepped down from the Board in September 2021 and I would like to take this opportunity to thank Suzi for her contribution during her time on the Board.

We have also reviewed our membership of our Board Committees. More information can be found on pages 119, 140 and 157.

Board performance and effectiveness

During the year, the performance and effectiveness of the Board was reviewed as part of the annual Board evaluation process, supported by Fidelio.

The Board decided to take a new approach to the 2022 Board evaluation with a particular focus on what it means to be a high-performing board and how the Board can add value to the Company. This approach was taken in order to leverage the momentum and potential of a relatively new Board, following the appointment of three new Non-Executive Directors in the financial year and two in the prior year. Building on Fidelio's work in 2021, this evaluation was designed to highlight meaningful insights as to how the Board can further enhance performance and effectiveness, allowing it to continue to be a high-performing Board.

For more information on our Board evaluation see page 139.

INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

CHAIRMAN'S GOVERNANCE LETTER CONTINUED

We continue to attract, inspire and engage a talented and diverse workforce. We recognise that our employees are essential to the delivery of our strategy and we remain well positioned for further sustainable growth.

Environmental, Social and Governance (ESG)
Our approach to sustainability goes above and beyond being a responsible business. We believe sustainability is fundamental to the long-term success of our business, as evidenced by increasing customer expectations and the urgent need to future proof our business against the impacts of climate change. Hence it is important that we proactively manage our environmental, social and governance risks and opportunities. We achieve this through our fully embedded approach to sustainability, across our corporate operations, portfolio-wide activities and, of course, as key pillars of our strategy and business model. Our Executive team and all employees have clear ESG objectives linked to our targets.

We made the commitment to be net zero carbon by 2030, two decades earlier than the UK Government's net zero target. Despite the challenges of the pandemic and market volatility, we have continued to progress our net zero pathway and made significant reductions in our emissions this year. We feel confident that, with our clear and robust pathway, we will meet our net zero targets whilst maximising shareholder returns.

We know that, as market leaders in our industry, as custodians of some of the most iconic buildings in London and as home to some of London's brightest businesses, we need to be ambitious in driving our sustainability agenda forward. With this in mind, we have decided to establish a Board ESG Committee. Further details can be found on page 119.

Employee engagement
In my role as Director responsible for employee engagement, I have continued to meet with employees, on a regular basis. Breakfast sessions are hosted in small groups across a variety of our business centres. These include a diverse group of people representing a cross-section of the Company. Ideas discussed are fed back to the Board and ultimately help inform improvements to the business.

I am pleased with the progress we have made on further developing our corporate governance, including evolving our Board and Committees and engaging with our stakeholders, and we will continue our strong focus on governance.

Stephen Hubbard
Non-Executive Chairman
7 June 2022

BOARD LEADERSHIP AND COMPANY PURPOSE

Strong leadership from the Board enables the Executive Committee to focus on delivering the Group's strategic objectives.

Graham Clemett
Chief Executive Officer

QUICK LINKS

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Membership and attendance at Board and Committee meetings

The Board comprises the CEO, CFO and Non-Executive Directors and is chaired by Stephen Hubbard. Details of individual attendance at Board meetings held during the year are set out below. More information on the skills and experience of the Board members can be found on pages 102 to 105.

	BOARD	AUDIT	REMUNERATION	RISK	NOMINATIONS
Stephen Hubbard	12/12	—	8/8	—	6/6
Graham Clemett	12/12	—	—	—	—
Dave Benson	12/12	—	—	—	—
Damon Russell	12/12	3/3	—	3/3	6/6
Rosie Shapland[1]	12/12	3/3	8/8	3/3	6/6
Lesley-Ann Nash[2]	12/12	3/3	8/8	3/3	6/6
Duncan Owen[3]	9/12	2/3	—	—	3/6
Manju Malhotra[4]	2/12	1/3	—	—	1/6
Nick Mackenzie[4]	2/12	1/3	—	—	1/6
Chris Girling[5]	11/12	2/3	—	3/3	5/6
Suzi Williams[6]	4/12	1/3	5/8	—	3/6

1. Rosie Shapland was appointed as Chair of the Audit Committee on 22 July 2021.
2. Lesley-Ann Nash was appointed as Chair of the Remuneration Committee on 10 September 2021.
3. Duncan Owen was appointed to the Board on 22 July 2021 and attended his first Board and Committee meetings in July 2021.
4. Manju Malhotra and Nick Mackenzie were appointed to the Board on 26 January 2022. Manju and Nick attended their first Board and Committee meetings in February 2022.
5. Chris Girling stepped down from the Board on 7 February 2022.
6. Suzi Williams stepped down from the Board on 10 September 2021.

Key topics considered by the Board during the year

BOARD APPOINTMENTS
Approved the appointment of three new Non-Executive Directors: Duncan Owen, Manju Malhotra and Nick Mackenzie (see page 131).

ACQUISITIONS
Approved the recommended offer for McKay Securities PLC and the acquisitions of The Old Dairy and Busworks (see page 109).

SUSTAINABILITY
Reviewed and affirmed the Company's sustainability strategy (see page 111).

BOARD EFFECTIVENESS REVIEW
Participated in this year's Board effectiveness review, which saw each Board member completing an evaluation questionnaire which then formed the basis for a discussion on the qualities that make a high-performing Board (see page 139).

WORKSPACE INCLUSIVE
Reviewed and approved the Group's new inclusive billing initiative, Workspace Inclusive (see page 115).

STRATEGY
Held its strategy day in September 2021 where it considered a variety of topics, including sustainability ambitions, people and culture and operational priorities.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Our Board

Led by our Chairman, Stephen Hubbard, the Board provides the leadership of the Company and is collectively responsible and accountable to shareholders for the Company's long-term success, strategy, values, culture, control and management. Further information on the relevant skills and experience of each of the Directors can be found on page 135.

COMMITTEE MEMBERSHIP

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

CHAIRMAN

Stephen Hubbard

INDEPENDENT NON-EXECUTIVE DIRECTOR

COMMITTEE MEMBERSHIP

APPOINTED
Board: July 2014
Chairman: July 2020

CURRENT EXTERNAL APPOINTMENTS
Stephen is a member of the advisory board of Redevco, a pan-European property holding company.

RELEVANT SKILLS AND BUSINESS EXPERIENCE
Stephen has many years' experience of operating within the property sector. He was previously Chairman of CBRE UK until he retired in December 2019, having joined Richard Ellis in 1976 and held the position of Head of EMEA and UK Capital Markets from 1998 to 2012. He was also previously Non-Executive Chairman of LXI REIT PLC. He has an outstanding track record in the investment market and has advised on several landmark transactions involving international capital. Stephen has a broad range of knowledge and experience at board level, including leadership and executive management, operation of public companies, regeneration and development projects, as well as strong financial skills.

EXECUTIVE DIRECTORS

Graham Clemett

CHIEF EXECUTIVE OFFICER

COMMITTEE MEMBERSHIP

APPOINTED
Board: July 2007
CEO: September 2019

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

RELEVANT SKILLS AND BUSINESS EXPERIENCE
Graham has detailed knowledge of the Company's operations and extensive experience of the property sector gained through his 15 years' experience with the Group, having joined as CFO in 2007. Prior to joining the Group, he was Finance Director for UK Corporate Banking at RBS Group plc and before that spent 8 years at Reuters Group plc, latterly as Group Financial Controller. Graham has extensive experience in leadership and management, strong commercial, strategic and communication skills, extensive investor relations experience and strong financial skills with significant experience of financing and capital raising. He is a Chartered Accountant.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED
OUR BOARD CONTINUED

EXECUTIVE DIRECTORS CONTINUED

Dave Benson

CHIEF FINANCIAL OFFICER

COMMITTEE MEMBERSHIP

APPOINTED
April 2020

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

RELEVANT SKILLS AND BUSINESS EXPERIENCE
Prior to joining Workspace, Dave was the Corporate Finance Director of Whitbread PLC. He previously held senior finance roles at Kier Group plc and Keller Group plc, having qualified as a Chartered Accountant with Deloitte. He has strong financial skills, having gained experience in a series of dynamic businesses as well as a good understanding of technology and its commercial applications, strong communication and leadership skills. He has experience in strategy development, infrastructure and development projects, corporate transactions, acquisitions and integrations, investor relations and detailed knowledge of risk management and internal control systems.

NON-EXECUTIVE DIRECTORS

Rosie Shapland

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIR OF THE AUDIT COMMITTEE

COMMITTEE MEMBERSHIP

APPOINTED
November 2020[1]

CURRENT EXTERNAL APPOINTMENTS
Rosie is currently a Non-Executive Director at Foxtons Group plc, where she is Chair of their Audit Committee and a member of their Remuneration and Nomination Committees, and PayPoint plc, where she is Chair of their Audit Committee and a member of their Nomination and Remuneration Committees.

1. Rosie was appointed Senior Independent Director in February 2022 and Chair of the Audit Committee in July 2021.

RELEVANT SKILLS AND BUSINESS EXPERIENCE
Rosie is a Chartered Accountant and was previously an audit partner at PwC. She has many years' experience of operating within the finance sector as well as a broad range of public company Board experience, as well as experience of governance, risk management, investment and corporate transactions and strong financial skills.

Damon Russell

INDEPENDENT NON-EXECUTIVE DIRECTOR

COMMITTEE MEMBERSHIP

APPOINTED
May 2013

CURRENT EXTERNAL APPOINTMENTS
Damon holds advisory roles for a number of private companies in the digital media, sport and educational sectors. He is currently Chairman of New Telecom Express Group, a media service provider, and a Director of its The Dating Lab subsidiary, a business that provides online dating services to some of the world's leading media brands. In 2019 he jointly founded Fan19, a global digital sports fan engagement group.

RELEVANT SKILLS AND BUSINESS EXPERIENCE
Damon co-founded Telecom Express, which was sold to AMV BBDO, part of the Omnicom Group. Damon was also previously Non-Executive Director of iannounce before its merger with Legacy.com. He has over 35 years' experience in the telecommunications and telemarketing industry. He has extensive digital and media technology experience, strong strategic and commercial understanding, significant experience in alliances, ventures and partnerships and knowledge of service-related industry requirements and key client relationships.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED
OUR BOARD CONTINUED

NON-EXECUTIVE DIRECTORS CONTINUED

Lesley-Ann Nash

INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIR OF THE REMUNERATION COMMITTEE

COMMITTEE MEMBERSHIP

APPOINTED
January 2021[1]

CURRENT EXTERNAL APPOINTMENTS
Lesley-Ann is a Non-Executive Director of St. James's Place plc, where she is a member of their Risk and Remuneration Committees. She is also a member of the Boards of Homes England and London First. She has stepped down from the Board of North London Hospice.

1. Lesley-Ann was appointed Chair of the Remuneration Committee in September 2021.

RELEVANT SKILLS AND BUSINESS EXPERIENCE
Lesley-Ann was previously a Director in the Cabinet Office of HM Government and a Managing Director at Morgan Stanley, as well as having previously worked at UBS and Midland Bank. She has deep global capital markets experience on both buy and sell sides, extensive knowledge of central and local government and experience of policy development, procurement and major programme delivery and a track record of promoting inclusion and diversity and delivering meaningful cultural change, as well as public company board experience. She also has deep financial fluency gained as a fellow of the Chartered Institute of Management Accountants (CIMA).

Duncan Owen

INDEPENDENT NON-EXECUTIVE DIRECTOR

COMMITTEE MEMBERSHIP

APPOINTED
July 2021

CURRENT EXTERNAL APPOINTMENTS
Duncan is CEO of Immobel Capital Partners, which is a pan-European specialist 'Green' real estate investor in the office and residential sectors, and a Senior Advisor to Sellar. He is also on the Board of Governors for the Church Commissioners and Chair of their Property Investment Committee.

RELEVANT SKILLS AND BUSINESS EXPERIENCE
Duncan has 30 years' experience in the real estate sector. He was previously the CEO of Invista Real Estate Investment Management PLC and then Global Head of Real Estate at Schroders plc before stepping down at the end of 2020. He has a wealth of experience in the real estate sector, including a deep understanding of the central London office sector.

Manju Malhotra

INDEPENDENT NON-EXECUTIVE DIRECTOR

COMMITTEE MEMBERSHIP

APPOINTED
January 2022

CURRENT EXTERNAL APPOINTMENTS
Manju is CEO at Harvey Nichols, the luxury department store, and a Non-Executive Director at London & Partners, an international trade and investment agency for London.

RELEVANT SKILLS AND BUSINESS EXPERIENCE
Manju joined Harvey Nichols in 1998 and progressed through various roles, including CFO and co-COO, before her appointment as CEO. She has extensive experience in customer-focus, developing a values-led culture, strategy, operations, finance and technology. She is a Chartered Accountant.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED
OUR BOARD CONTINUED

NON-EXECUTIVE DIRECTORS CONTINUED

Nick Mackenzie

INDEPENDENT NON-EXECUTIVE DIRECTOR

COMMITTEE MEMBERSHIP

● ●

APPOINTED

January 2022

CURRENT EXTERNAL APPOINTMENTS

Nick is CEO at Greene King, the pub retailer and brewer.

RELEVANT SKILLS AND BUSINESS EXPERIENCE

Prior to joining Greene King, Nick spent 17 years at Merlin Entertainments plc, most recently as Managing Director of Midway Attractions, the largest division within the group, having started his career in pubs at Bass and Allied. He was also previously a Non-Executive Director at Daniel Thwaites PLC. He has significant expertise in strategy, real estate and business development and experience of public company boards.

COMPANY SECRETARY

Carmelina Carfora

Company Secretary

APPOINTED

March 2010

Carmelina is Secretary to the Board and its Nominations, Remuneration and Audit Committees, monitoring compliance with procedures and providing advice on governance matters. At the direction of the Chairman, she is responsible for making sure the Board receives accurate, timely and relevant information. She also co-ordinates the induction of new Board members and the provision of ongoing training and development of the Board. Carmelina's other responsibilities include corporate governance, compliance with legislation and the administration of share schemes.

BOARD AND COMMITTEE MEMBERSHIP AS AT 31 MARCH 2022

	BOARD	NOMINATIONS COMMITTEE	AUDIT COMMITTEE	REMUNERATION COMMITTEE	RISK COMMITTEE	EXECUTIVE COMMITTEE	INVESTMENT COMMITTEE	DISCLOSURE COMMITTEE
Chairman								
STEPHEN HUBBARD Non-Executive Chairman	●	●		●				
Executive Directors								
GRAHAM CLEMETT Chief Executive Officer	●					●	●	●
DAVE BENSON Chief Executive Officer	●					●	●	●
Non-Executive Directors								
ROSIE SHAPLAND Senior Independent Non-Executive Director	●	●	●	●	●			
DAMON RUSSELL Non-Executive Director	●	●	●		●			
LESLEY-ANN NASH Non-Executive Director	●	●	●	●	●			
DUNCAN OWEN Non-Executive Director	●	●	●					
MANJU MALHOTRA Non-Executive Director	●	●	●					
NICK MACKENZIE Non-Executive Director	●	●	●					
Members of the Executive Committee								
ANGUS BOAG Development Director						●	●	
CLAIRE DRACUP Director of People and Culture						●		
WILL ABBOTT Chief Customer Officer						●		
RICHARD SWAYNE Investment Director						●	●	
PAUL HEWLETT Director of Strategy & Corporate Development						●	●	●
CARMELINA CARFORA Company Secretary						●		●
LEO SHAPLAND Head of Portfolio Management						●	●	

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Board activities 2021/22

The Board considers a variety of matters and topics throughout the year.

KEY TO STAKEHOLDERS

- Our customers
- Our people
- Our investors
- Our partners and suppliers
- Our communities
- The environment

ACTIVITIES

1 Strategy

ANNUAL STRATEGIC REVIEW

STAKEHOLDERS

The Board held its annual strategic review in September 2021 to approve the five-year plan. External speakers and members of the Executive Committee joined the Board to stimulate discussion in a number of areas, including the Group's sustainability ambitions, people and culture and operational priorities. Following the strategy day, several ideas and initiatives were developed for incorporation into the business plan.

Our strategy, Page 32

COVID-19

STAKEHOLDERS

Health and safety remained the highest priority of the Board throughout this year, as Covid-19 continued to impact UK businesses. The Board was kept up to date with new Covid-19-related legislation and guidance affecting the Company at all times and has been in regular dialogue with the Executive Committee on the steps being taken to make our business centres safe for our employees, customers and suppliers. Risk assessments relating to the use of our head office and business centres were regularly updated to take into account changing law and guidance. Further information on the measures taken can be found on pages 59 and 194.

The Board has also continued to monitor the impact of Covid-19 and home working on our employees. Our staff have been kept up to date with our Covid-19 policies and procedures through central communications and through their line managers and a hybrid working policy was implemented to formalise some of the flexibility. More details on the hybrid working policy can be found on page 24.

Health and safety activities, Pages 193 to 194

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED
BOARD ACTIVITIES 2021/22 CONTINUED

2 Stakeholders

INVESTOR ENGAGEMENT

STAKEHOLDERS

We regularly seek the views of shareholders, and we have an active and constructive dialogue with them. The Board reviews a monthly investor relations report which includes any notable views expressed by investors during engagement as well as recording movements in the shareholder register. Our Investor Relations team manages a comprehensive calendar of engagement, including formal announcements, conference calls, roadshows, AGM and events, as well as ad hoc outreach contact with financial analysts, business media, investors, private client fund managers, retail investors and equity sales teams to make sure that our strategy and value creation are well understood by both shareholders and influencers.

During 2021/22, we engaged with 264 institutional investors via virtual meetings or calls. Investor meetings are attended by various senior executives, including the CEO, CFO, Chairman and Executive Committee members, as well as the Head of Investor Relations and the Group Financial Controller. We regularly participate in industry and property conferences globally. We hosted two virtual investor events.

Our Annual Report is available to all shareholders. We aim to make our Annual Report available to a universal audience. Shareholders can opt to receive a hard copy in the post or PDF copies via email or from our website. Additionally, if a shareholder holds their shares via a nominee account and encounters difficulty receiving our Annual Report via their nominee provider, they are welcome to contact the Company Secretary to request a copy.

Our investor website is www.workspace.co.uk/investors. It contains our Annual Reports, half- and full-year results presentations and our financial and dividend calendar for the upcoming year. Our website also outlines our company strategy, business model, property portfolio and has a detailed section covering our ESG activities.

If shareholders have any concerns, which the normal channels of communication to the CEO, CFO or Chairman have failed to resolve, or for which contact is inappropriate, then our Senior Independent Director, Rosie Shapland, is available to address them. Contact details for our Investor Relations team, Company Secretary and Company Registrars are available on page 237 of this report as well as on our website.

Our 2021 AGM was held on 22 July 2021 and all resolutions passed with over 90% of votes in favour. Our 2022 AGM will be held on 21 July 2022 at Edinburgh House, 170 Kennington Lane, London SE11 5DP and we look forward to welcoming our shareholders there.

OUR INVESTOR RELATIONS CALENDAR OF EVENTS

2021/22	EVENT	INVESTOR MEETINGS	INVESTOR TOURS
APRIL	UK investor conference	●	●
MAY	Capital Markets Day on brand and marketing	●	
	Q4 Business Update		
JUNE	**Full-year results**		
	Investor roadshow	●	●
JULY	**AGM & Q1 Business Update**		
AUGUST			
SEPTEMBER	Half-year end		
OCTOBER	**Q2 Business Update**		
NOVEMBER	**Half-year results**		
	Investor roadshow	●	●
DECEMBER			
JANUARY	**Q3 Business Update**		
	UK investor conference	●	
FEBRUARY			
MARCH	Year end		
	Investor meetings to discuss McKay offer	●	●

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED
BOARD ACTIVITIES 2021/22 CONTINUED


Kennington Park, Oval

STAKEHOLDERS CONTINUED

EMPLOYEE ENGAGEMENT

STAKEHOLDERS

The Board recognises the crucial importance of our employees to the success of the Group. Throughout the year the Board meets and receives feedback from a wide range of employees across the business. The Board and Executive Committee review and approve key policies, practices and strategic decisions, making sure that they align to the Group's key values and purpose. During the year there were also five tours arranged for our Non-Executive Directors to visit our business centres and meet employees.

Stephen Hubbard, our designated Non-Executive Director for employee engagement, has continued to host quarterly breakfast engagement sessions as well as other formal and informal meetings with staff across our head office and business centres. The CEO also provided regular updates through town hall events where employees are encouraged to submit questions.

Employee engagement, Page 24

BUSINESS RELATIONSHIP ENGAGEMENT

STAKEHOLDERS

Positive relationships with our customers, suppliers and other business partners are essential to the Group's ongoing success. Customer-facing teams provide daily feedback from customers while views from suppliers and partners are captured by dialogue with the relevant business team. These views from our customers, suppliers and partners are collated and fed back to the Board, and incorporated into decision making.

Business relationship engagement, Pages 23 and 25

COMMUNITY AND ENVIRONMENT ENGAGEMENT

STAKEHOLDERS

The Board remains committed to reaching our target of becoming a net zero carbon business by 2030. This year, the Board approved our new ESG-linked RCF and affirmed the Company's sustainability strategy. All new Board members receive an induction on the Group's approach to sustainability. The Board reviews regular updates from our sustainability team, and this year topics included our sustainability strategy. The Board is also regularly updated on our community and social impact work and our fundraising activities for our charity partner, Single Homeless Project.

Sustainability activities, Page 26
Community engagement, Page 26

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED
BOARD ACTIVITIES 2021/22 CONTINUED

3 Purpose, values and culture

PURPOSE

STAKEHOLDERS

Our purpose is to give businesses the freedom to grow. Our purpose provides the framework for making decisions and engaging with our stakeholders. The Board sets the Group's strategy and makes decisions through the lens of our purpose.

During the year under review, the Board has continued to monitor how our purpose is articulated and understood by our customers, employees, investors and other stakeholders, and how our values and culture are embedded throughout our business. This is achieved through regular engagement with our stakeholders, more information on which can be found on pages 23 to 26. The Board also approves the Group's key policies and practices so that they underpin our purpose. The Executive Committee is responsible for communicating these policies throughout our business.

Purpose, Page 4

VALUES

STAKEHOLDERS

Our purpose informs our values: 'know your stuff', 'show we care', 'find a way' and 'be a little bit crazy'. The Board encourages all employees to live our values in their work for the Group and especially in their dealings with each other and our other stakeholders. Graham Clemett, CEO, sits on the judgement panel for our employee recognition programme, Workspace Winners, where employees are given awards and prizes for demonstrating one or more of our values.

Values, Page 20

CULTURE

STAKEHOLDERS

Our values set the cultural tone for the Group. Our culture is one of integrity, transparency and openness, where independent thought and taking initiative are encouraged. The Board recognises the importance of our culture to the business of the Group and sets the 'tone from the top' by demonstrating and encouraging values-driven behaviour.

4 Operations

ASSET MANAGEMENT

STAKEHOLDERS

The Board receives regular updates on asset management and leasing activities. This year, the focus has continued to be on supporting customers as they returned to our business centres and maintaining appropriate cleanliness and social distancing measures. Read more about our engagement with customers on page 23.

The Board also discussed our new brand and social media campaigns. In May 2021, our 'Working from Workspace' campaign was launched to coincide with the reduction of restrictions and anticipated return to the office. This was followed in September 2021 with a campaign focusing on 'Space Matters'.

Brand campaigns, Page 33

PORTFOLIO VALUATION

STAKEHOLDERS

The Board reviewed and approved the full and half-year valuations of the Group's property portfolio in May and November 2021 respectively.

PORTFOLIO GROWTH

STAKEHOLDERS

The Board approved the Group's recommended offer for McKay Securities PLC, which was announced in March 2022 and completed on 6 May 2022. Read more about our acquisition of McKay Securities PLC on pages 13, 16, 74 and 114.

During the year the Board also approved the acquisitions of The Old Dairy and Busworks, adding 57,000 and 104,000 sq. ft. of net lettable space to the portfolio respectively. The Board also approved the disposal of 13–17 Fitzroy Street and Highway, in order to recycle capital into other projects and opportunities which we believe will generate superior value for shareholders. Read more about our acquisitions this year on pages 16 and 114.

The Board is also provided with regular updates on planned refurbishment and development projects. This year, key development projects have included Pall Mall Deposit and Leroy House. Read more about these projects on pages 5 and 69.

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED
BOARD ACTIVITIES 2021/22 CONTINUED

Brickfields, Hoxton

5 Finance

STRUCTURE, FORECASTS, BUDGETS

STAKEHOLDERS

The Board regularly reviews the Group's financial structure and rolling forecasts. The Board approved the Group's 2021/22 budget in July 2021.

GREEN REVOLVING CREDIT FACILITY

STAKEHOLDERS

In December 2021, the Group entered its first ESG-linked revolving credit facility (RCF). This followed the issue of our first green bond.

ESG-linked RCF, Page 74

DIVIDEND PAYMENTS

STAKEHOLDERS

The Board recommended the payment of the final dividend paid to shareholders in August 2021 and approved the payment of the interim dividend paid to shareholders in February 2022.

Dividends, Page 71

6 Reporting

FULL, HALF-YEAR AND TRADING STATEMENTS

STAKEHOLDERS

The Board reviewed and approved the full and half-year results and trading statements.

VIABILITY AND GOING CONCERN STATEMENTS

STAKEHOLDERS

The Board conducted a review of the Company's viability over the next five-year period and approved the viability statement and going concern statement.

Viability statement, Page 76
Going concern statement, Page 76

7 Risks

PRINCIPAL RISKS

STAKEHOLDERS

The Board reviewed the Group's principal risks which could impact the implementation of the Group's strategy. See pages 59 to 66 for details of our principal risks and uncertainties.

The Board requested updates from the Chairs of the Risk and Audit Committees on the key areas discussed by each Committee. See pages 143 to 161 for details of the work performed by each Committee.

EMERGING RISKS

STAKEHOLDERS

The Board heard updates from the Chairs of the Risk and Audit Committees on emerging risks which have been highlighted and debated during meetings of those Committees.

Principal risks and uncertainties, Page 59

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED
BOARD ACTIVITIES 2021/22 CONTINUED

8 Succession

APPOINTMENT OF NEW NEDS

STAKEHOLDERS

During the year the Board approved the appointment of three new Non-Executive Directors, Duncan Owen, Manju Malhotra and Nick Mackenzie.

Recruitment process, Page 131
Inductions, Page 133

APPOINTMENT OF NEW EXECUTIVE COMMITTEE MEMBERS

STAKEHOLDERS

During the year the Board approved the appointment of two new members of the Executive Committee, Paul Hewlett and Leo Shapland.

Executive Committee, Page 123

9 ESG

SUSTAINABILITY AGENDA

STAKEHOLDERS

In September 2021 and January 2022 the Board discussed updates from the Group's new Head of Sustainability, Sonal Jain. This included presentations on our sustainability strategy, governance and our science-based targets to transition to net zero carbon.

Throughout the year the Board also requested updates from the sustainability team on the Group's sustainability targets and activities.

In December 2021 the Board also approved the Group's new ESG-linked RCF.

Sustainability, Page 36

Edinburgh House, Kennington

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED
BOARD ACTIVITIES 2021/22 CONTINUED

Brickfields, Hoxton

10 Governance

BOARD EFFECTIVENESS REVIEW

STAKEHOLDERS

This year's internal Board effectiveness review focused on the question 'what makes a high-performing Board', facilitated by Fidelio. Read more about this year's internal Board effectiveness review on page 139.

The Board has also progressed the recommendations made following the external Board evaluation conducted by Fidelio last year. Read more about how the recommendations from last year's external evaluation have been progressed during the year on page 142.

REGULATORY AND LEGAL UPDATES

STAKEHOLDERS

The Board discussed legal updates and advice from the Company's legal advisers.

The Board also reviewed regular legal and governance updates from the Company Secretary.

COMMITTEE MEMBERSHIP AND TERMS OF REFERENCE

STAKEHOLDERS

During the year the Board reviewed the structure of its Committees. For more information on changes to the Committee structure and membership see page 119.

The Board also reviewed the schedule of matters reserved to the Board (see page 122) and the Terms of Reference applicable to each Committee.

WORKFORCE POLICIES AND PRACTICES

STAKEHOLDERS

The Board reviews and approves all key policies and practices which could impact our employees and influence their behaviours. Policies are reviewed to check that they are aligned with the Group's purpose, culture and values. This includes the Group's Code of Conduct and its additional policies relating to anti-bribery and corruption, inside information and market abuse, modern slavery, conflicts of interest and data protection. Further information on the Group's key compliance policies can be found on pages 78 to 80.

The Board recognises that effective and honest communication is essential to maintain our business values, and we encourage our employees to speak out if they witness any wrongdoing. This is reinforced in our whistleblowing procedures and in our Code of Conduct. See page 80 for further details on our Whistleblowing Policy.

All policies are available to employees and published on the Group's intranet. All new employees are provided with training on our policies at induction sessions and we provide annual refresher training to all staff in key areas. We also take the opportunity to remind employees of our policies and any changes made to them through our internal monthly publication, 'The Workspace Wrap'.

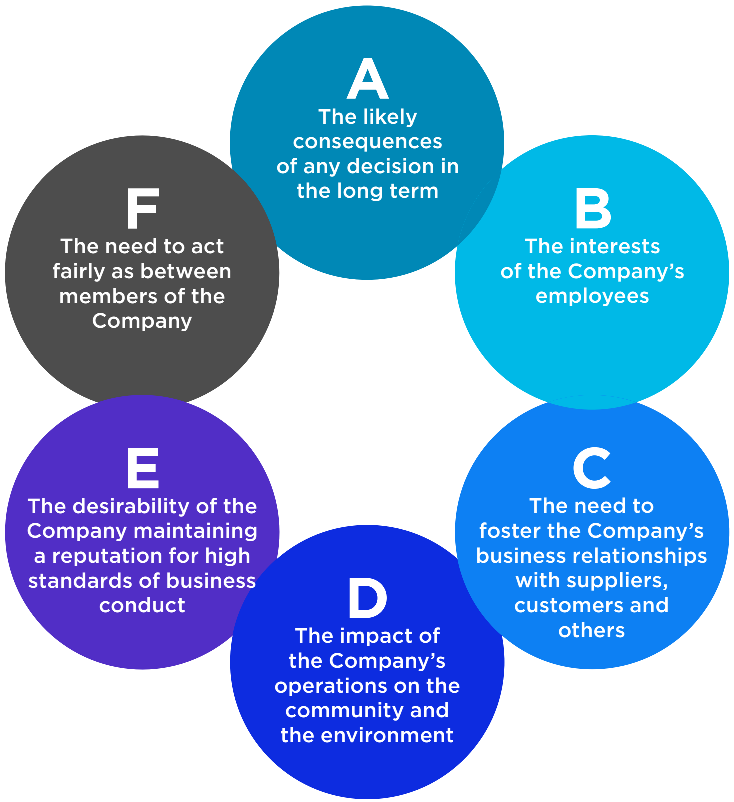
BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

Section 172(1) Statement

The Board of Workspace Group PLC confirms that during the year it has acted in good faith to promote the long-term success of the Company (and its Group) for the benefit of its shareholders, while having due regard to the matters set out in Section 172(1) of the Companies Act 2006, being:

The Board has identified the Company's key stakeholders to be its shareholders, employees, customers, suppliers, debt financiers and local communities, and also considers the impact of operations on the environment to be of key importance.

Further detail on stakeholder engagement and Section 172(1) matters can be found throughout our Annual Report:



	RELEVANT DISCLOSURES	PAGE
A	Our purpose	page 4
	Our business model	pages 14 to 21
	Our strategy	pages 32 to 35
	Dividend	page 71
B	Employee engagement	pages 24 and 108
	Looking after our people	pages 47 to 50
	Diversity and inclusion	pages 136 to 138
C	Customer proposition	page 15
	Customer and supplier engagement	pages 23 and 25
	Anti-bribery & corruption and modern slavery	page 79
D	Supporting our communities	pages 51 to 52
	Sustainability and TCFD	pages 36 to 53 and 81 to 92
	Net zero carbon pathway	pages 41 to 42
	Green financing	page 74
E	Compliance policies	pages 78 to 80
	Culture and values	page 20
	Whistleblowing	page 80
	Internal controls	page 159
F	Shareholder engagement	pages 24 and 107
	AGM	page 194

How the Board considers Section 172(1) matters

The Board is fully aware of the need to consider Section 172(1) when making decisions. Some of the key methods used by the Board to achieve this include:

- A Board strategy day is held each year where the Board discusses long-term strategy (see page 126)
- The Board regularly considers the Group's purpose, values and policies related to business conduct (see pages 96 and 109)
- A stakeholder impact analysis, setting out the expected impacts of the proposed decision on different stakeholder groups and how any negative impacts might be mitigated, is conducted and feeds into the Board discussions when key strategic decisions are proposed
- The Board and the Audit Committee oversee the Company's risk management framework and the actions that are in place to mitigate risk in the short, medium and long term (see page 159)
- The Board considers ESG matters in every decision it makes and receives regular updates from the sustainability team (see pages 111 and 122)
- The Board considers stakeholder interests when determining the level of dividend
- The Board directly engages with employees and investors, and receives feedback from the CEO and CFO on meetings with investors and analysts, and regular reports from the Executive Committee and external advisers on engagement with other stakeholders such as customers, suppliers and the wider community (see pages 23 to 25)
- Stephen Hubbard, Chairman of the Board, holds focus groups with employees in his role as the designated Non-Executive Director for employee engagement (see page 176)

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED
SECTION 172(1) STATEMENT CONTINUED

Key decisions in 2021/22

Some of the key decisions considered by the Board in 2021/22, and how the Board had regard to Section 172(1) matters when discussing them, are outlined below.

The Board has also continued to have regard to Section 172(1) matters in its continued response to Covid-19, including its efforts to support and provide a safe and hygienic environment for employees, customers, suppliers and visitors. Read more about our response to Covid-19 on page 59.

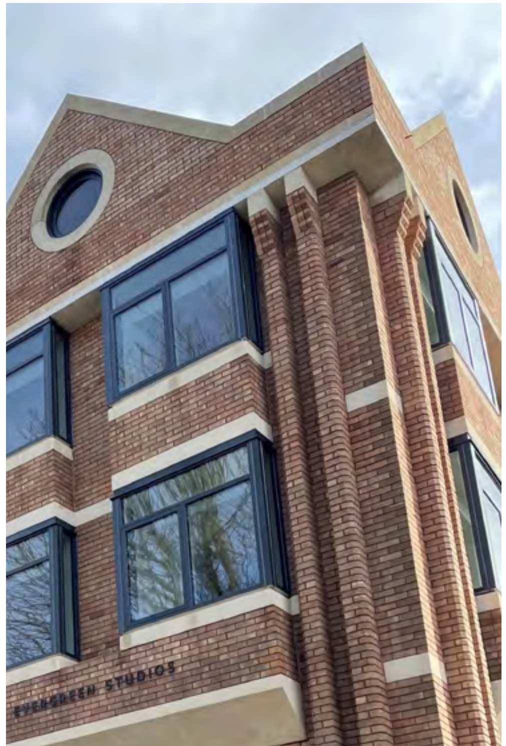
1 Acquisition of McKay Securities and other acquisitions and disposals

On 2 March 2022, the Group announced its recommended offer for McKay Securities PLC. In its discussions ahead of approving the offer, the Board considered that the acquisition would enable the Group to meet more of the strong demand it is seeing from SME customers as well as providing opportunities for the Group's employees and suppliers. The Board also concluded that the acquisition would have a positive impact on shareholders, being an opportunity to accelerate our growth plans at an attractive valuation and capital recycling opportunities to deliver strong returns for shareholders.

During the year, we also completed the acquisition of The Old Dairy in Shoreditch for £43.4m and the acquisition of Busworks, in Islington, for £45m. In considering the impact of these acquisitions on the Group's stakeholders, the Board particularly noted the long-term positive impacts on customers of strengthening our presence in Shoreditch and Islington, providing opportunities for customers, suppliers and employees along with potential long-term positive impacts on shareholders. These acquisitions are demonstrative of the Group's sustainability commitment to repurpose and preserve historic buildings as part of its duty to have due regard to the impact of the Company's operations on the community and the environment.

In addition to this, during the year we completed the sale of a property in Fitzrovia and the sale of Highway Business Park. While it was identified that some stakeholders might experience a negative impact from the disposals, for example customers who would see a change of landlord or suppliers who might see a loss of revenue if the buyer did not retain their services, it was decided that it was the optimum time to sell and recycle the capital into other more attractive organic and acquisition opportunities which the Board believes will, in the long term, generate further opportunities for customers and suppliers and superior value for shareholders.

See page 13 for more details on the acquisition of McKay Securities PLC and other acquisitions and disposals during the year.



Evergreen Studios, Richmond

BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED
SECTION 172(1) STATEMENT CONTINUED

KEY DECISIONS IN 2021/22
CONTINUED

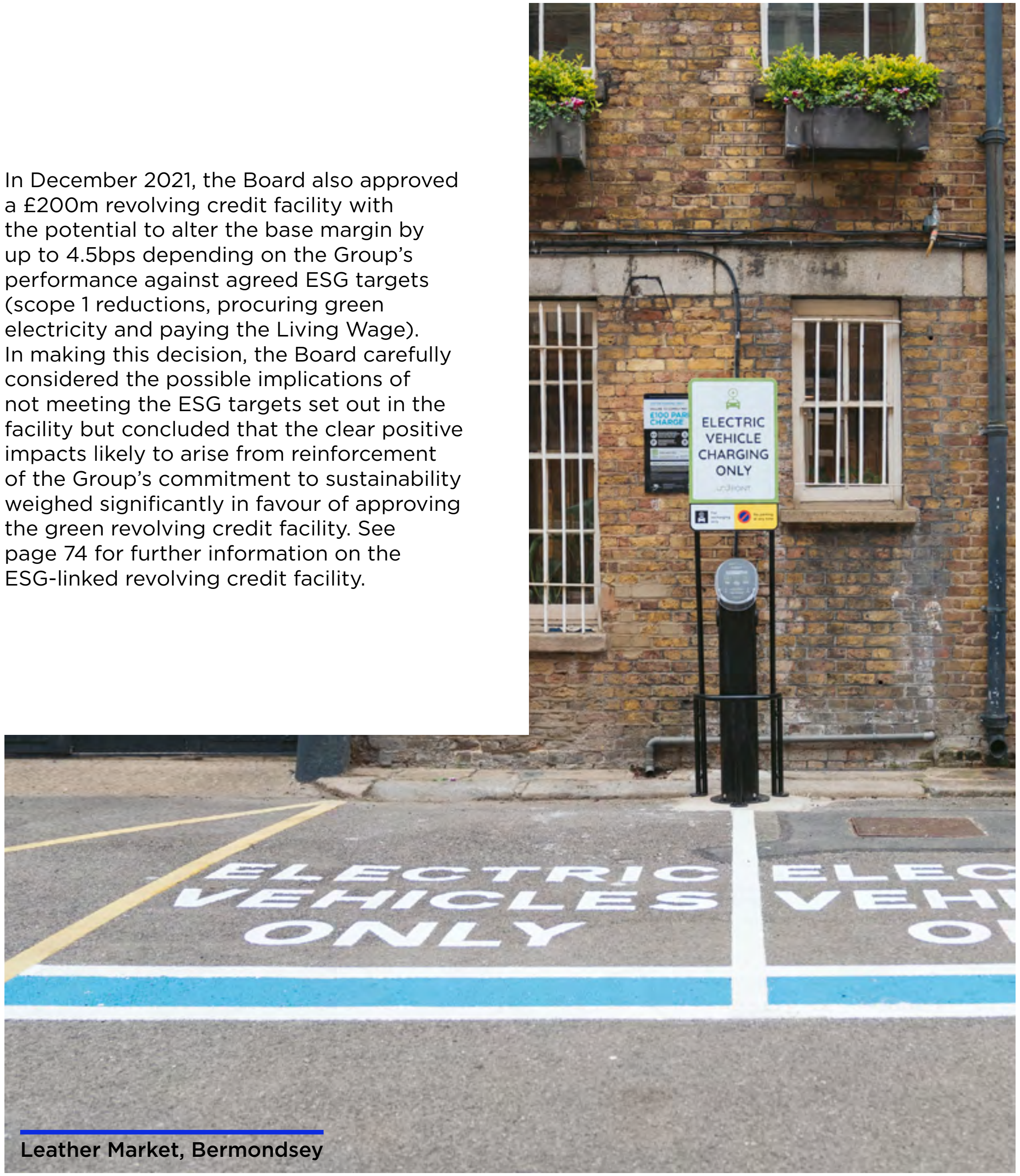
2 Workspace Inclusive

The Group has been rolling out its new inclusive billing package, Workspace Inclusive. Following feedback from a customer journey mapping project it was apparent there was demand for a more inclusive product which would assist customers with unit comparisons, leading to quicker and more informed decisions. Previously, our customers on a standard lease would have service charges and insurance included in their fee, but energy and connectivity costs would be billed separately. In making its decision to approve this package, the Board discussed the feedback it had received from customers and the positive impact this package would have on fostering the Group's relationships with customers in the immediate and long term. In addition to this, the Board considered the long-term positive impacts on investors if the Group can attract and retain customers with such offerings. As a result of this, a refined inclusive package of bills, known as Workspace Inclusive, was designed to include service charges, buildings insurance, electricity and connectivity within a single rent payment for office units of 2,500 sq. ft. and below. A trial of ten pilot properties was undertaken in October and November 2021 and due to the success of the project it was decided to roll out the scheme to the rest of the portfolio. See page 18 for more information on Workspace Inclusive.

3 Sustainability

As the business embarked on its post-pandemic recovery, the Board took the decision to lead with even bolder sustainability ambition and urgent action. In September 2021, the Board made a strategic senior appointment by recruiting Sonal Jain, an experienced net zero carbon leader, as the Group's new Head of Sustainability. During the strategy day in September 2021, the Board endorsed 20 stretching sustainability commitments. These range from a number of portfolio-wide initiatives aimed at reducing the Group's environmental impact, relaunching the social impact programme to support local communities, ensuring all employees and third-party contractors are paid the London Living Wage and supporting the wellbeing of employees and customers (a full list of our sustainability commitments is available on page 35). In making this decision, the Board received detailed advice from the Group's Head of Sustainability and discussed in detail the impacts this decision would have on all stakeholders. While many of these initiatives required additional investment, the Board carefully considered the long-term value add to the business and its stakeholders in approving the investment case for these commitments.

In December 2021, the Board also approved a £200m revolving credit facility with the potential to alter the base margin by up to 4.5bps depending on the Group's performance against agreed ESG targets (scope 1 reductions, procuring green electricity and paying the Living Wage). In making this decision, the Board carefully considered the possible implications of not meeting the ESG targets set out in the facility but concluded that the clear positive impacts likely to arise from reinforcement of the Group's commitment to sustainability weighed significantly in favour of approving the green revolving credit facility. See page 74 for further information on the ESG-linked revolving credit facility.



Leather Market, Bermondsey

DIVISION OF RESPONSIBILITIES

We have a strong mix of experienced individuals on our Board who are not only able to offer an external perspective on the business but also provide constructive challenge.

Carmelina Carfora
Company Secretary

QUICK LINKS

DIVISION OF RESPONSIBILITIES CONTINUED

Board roles and responsibilities

The roles and responsibilities of the Chairman and Chief Executive Officer are separate, with a clear division of responsibilities between them. The Chairman is responsible for the leadership of the Board, and the Chief Executive Officer manages and leads the business. In addition, the role specifications described on the right set out the clear division of responsibility between Executive and Non-Executive members of the Board.

Non-Executive

CHAIRMAN:
STEPHEN HUBBARD

- Leading the effective operation and governance of the Board
- Setting agendas which support efficient and balanced decision-making
- Ensuring that the Board plays a full and constructive part in the development of the Group's strategy and that there is sufficient time for boardroom discussion
- Ensuring effective Board relationships and a culture that supports constructive debate
- Facilitating the effective contribution of the Non-Executive Directors and monitoring that all Directors receive accurate, timely and clear information
- Overseeing the annual Board evaluation and identifying key actions required
- With the Nominations Committee, monitoring that the Board remains appropriately balanced to deliver the Group's strategic objectives and to meet the requirements of good corporate governance
- Promoting effective engagement with the Group's shareholders and other key stakeholders
- Leading initiatives to assess the culture across Workspace and ensuring that the Board sets the correct tone
- Reviewing, with the Board, diversity and inclusion initiatives

The Chairman is not involved in an executive capacity with any of the Group's activities.

DESIGNATED NON-EXECUTIVE DIRECTOR FOR EMPLOYEE ENGAGEMENT:
STEPHEN HUBBARD

- Representing the Board in discussions with employees and communicating Board decisions on specific matters
- Developing, implementing and feeding back on employee engagement initiatives in conjunction with management
- Communicating to employees the outcomes and developments made by the Board on specific matters

SENIOR INDEPENDENT DIRECTOR:
ROSIE SHAPLAND

- Being available and providing an alternative communication channel for shareholders and other stakeholders, if required, and being available to meet with investors on request
- Providing a sounding board for the Chairman
- If necessary, deputises for the Chairman in his absence and counsels all Board colleagues
- Acts as an intermediary for Non-Executive Directors when necessary
- At least annually, leads a meeting of the Non-Executive Directors without the Chairman present, to appraise the Chairman's performance and address any other matters which the Directors might wish to raise. The outcomes of these discussions are then conveyed to the Chairman

INDEPENDENT NON-EXECUTIVE DIRECTORS:
ROSIE SHAPLAND, DAMON RUSSELL, LESLEY-ANN NASH, DUNCAN OWEN, MANJU MALHOTRA AND NICK MACKENZIE

- Constructively challenging and assisting in the development of strategy
- Scrutinising, measuring and reviewing the performance of management
- Promoting the highest standards of integrity and corporate governance
- Reviewing the succession plans for the Board and key members of senior management
- Determining appropriate levels of remuneration for the senior executives
- Reviewing the integrity of financial reporting and the systems of risk management and financial controls
- Serving on or chairing various Committees of the Board

DIVISION OF RESPONSIBILITIES CONTINUED
BOARD ROLES AND RESPONSIBILITIES CONTINUED

Executive

CHIEF EXECUTIVE OFFICER:
GRAHAM CLEMETT

- Proposing and directing the delivery of strategy as agreed by the Board through leadership of the Group's Executive Committee
- Responsible for leading and managing the business and accountable to the Board for the financial and operational performance of the Group
- Leading the Group Executive Committee in the day-to-day running of the Group's business in order to execute objectives successfully
- Regularly reviewing the Group's organisational structure and recommending changes as appropriate
- Setting overall policies for recruitment, management, staff development and succession planning and providing updates to the Remuneration Committee
- Overseeing employee initiatives, diversity and inclusion, and employee wellbeing
- Together with the Chairman and CFO, representing the Company to its customers, suppliers, shareholders and other stakeholders
- Leading on the Group's ESG strategy and the net zero carbon pathway
- Corporate communications and the IR strategy

CHIEF FINANCIAL OFFICER:
DAVE BENSON

- Supports the CEO in developing the strategic direction of the Group and works closely with the CEO and Board to develop and implement the Group's strategy
- Provides financial leadership to the Group and aligns the Group's business and financial strategy and management of the Company's capital structure
- Responsible for financial planning and analysis, treasury and tax
- Leads and monitors the effectiveness of the key finance functions and appropriate development of the finance team
- Responsible for the IT function and co-ordinates and delivers IT projects to support the growth and strategic priorities of the Group

COMPANY SECRETARY:
CARMELINA CARFORA

- Secretary to the Board and its Committees
- Responsible for ensuring compliance with Board procedures and supporting the Chairman
- Advising and keeping the Board updated on corporate governance developments
- Ensuring that the Board has high-quality information, adequate time and the appropriate resources
- Considering Board effectiveness in conjunction with the Chairman
- Facilitating the Directors' induction programmes and assisting with professional development
- Providing advice, services and support to all Directors as and when required
- Responsible for organising the Annual General Meeting

DIVISION OF RESPONSIBILITIES
CONTINUED

Our Governance framework

Our governance framework supports the development of good governance practices across the Group. The Board has overall responsibility for governance within the Group.

The Board delegates certain of its responsibilities to its Audit, Nominations and Remuneration Committees. Further details of the work, composition, role and responsibilities of these Committees are provided in separate reports on pages 143, 127 and 162. Each of the Committees has Terms of Reference which were reviewed by the Committees and the Board during the year. These are available on the Group's website at www.workspace.co.uk/investors/about-us/governance/committee-terms-of-reference. The performance of each of the Committees is assessed annually as part of the evaluation process described later in this report.

Further details on the work of the Risk Committee during the year can be found on pages 155 to 161. Following a review, the Risk Committee has been disbanded and an ESG Committee established. See page 157 for further details.

The Board delegates all operational matters to the Executive Committee, except for matters specifically reserved to the Board. The schedule of matters reserved for the Board is reviewed at least once a year and can be accessed on the Company website at www.workspace.co.uk/investors/about-us/governance/committee-terms-of-reference. Further information on the matters reserved and the relationship between the Board and the Executive Committee can be found on page 122.

Board of Directors

The role of the Board is to promote the long-term success of Workspace by setting a clear purpose and the Group's strategy for delivering the long-term value to our shareholders and other stakeholders. It sets the governance and values of the Group and has ultimate responsibility for its management, direction and performance. The effective working relationship between the Board and the Executive Committee facilitates both support and challenge where required, with Board awareness enhanced through regular dialogue, including reporting from key individuals and the provision of minutes from all Board Committee and Executive Committee meetings.

THE BOARD DELEGATES CERTAIN MATTERS TO ITS FOUR PRINCIPAL COMMITTEES

NOMINATIONS COMMITTEE

CHAIRED: Stephen Hubbard

MEMBERSHIP: 7 Independent Non-Executive Directors

KEY RESPONSIBILITIES:
- Reviews succession plans for the Board and its Committees and considers its structure, size, composition and diversity
- Supports the development of an inclusive and diverse talent pipeline, and reviews supporting initiatives to increase diversity
- Monitors that the Board has the appropriate knowledge, skills and experience to operate effectively and deliver our strategy
- Recommends to the Board the appointment of a Non-Executive Director for employee engagement

Committee Report, Page 127

AUDIT COMMITTEE

CHAIRED: Rosie Shapland

MEMBERSHIP: 3 Independent Non-Executive Directors

KEY RESPONSIBILITIES:
- Oversees the Group's financial reporting
- Maintains and manages the relationship with the External Auditor, including monitoring their performance and reappointment
- Reviews and monitors management of risks other than those related to real estate, development and valuation

Committee Report, Page 143

REMUNERATION COMMITTEE

CHAIRED: Lesley-Ann Nash

MEMBERSHIP: 3 Independent Non-Executive Directors

KEY RESPONSIBILITIES:
- Determines the Remuneration Policy for Executive Board Directors and considers whether there is a clear link between performance and remuneration
- Reviews workforce remuneration and related policies
- Develops remuneration policies and practices to support clarity, simplicity, transparency and alignment with culture

Committee Report, Page 162

ESG COMMITTEE

CHAIRED: Duncan Owen

MEMBERSHIP: 9 Directors

KEY RESPONSIBILITIES:
- Oversees the Group's ESG strategy
- Monitors ESG risk and opportunities

EXECUTIVE COMMITTEE

KEY RESPONSIBILITIES:
The Executive Committee is responsible for the execution of the Company's strategy and the day-to-day management of the business.

DISCLOSURE COMMITTEE

KEY RESPONSIBILITIES:
Identifies and controls inside information or information which could become inside information and determines how and when that information is disclosed in accordance with applicable legal and regulatory requirements.

SUPPORTING COMMITTEES

KEY RESPONSIBILITIES:
The Executive Committee operates a number of supporting committees that provide oversight on key business activities and risks.

The Terms of Reference of each Board Committee are available on the Company's website at www.workspace.co.uk/investors/about-us/governance/committee-terms-of-reference

DIVISION OF RESPONSIBILITIES CONTINUED

How we govern

Non-Executive Directors

The Non-Executive Directors have a broad mix of business skills, knowledge and experience acquired across different business sectors. This allows them to provide independent and external perspectives to Board discussions.

The Non-Executive Directors provide constructive challenge to the Executives, help to develop proposals on strategy and monitor performance.

Independence of Non-Executive Directors

During the year, the Board considered the independence of all the Non-Executive Directors, save for the Chairman who was deemed independent by the Board at the date of his appointment. The Board has reconfirmed that our Non-Executive Directors remain independent from executive management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. This is protected through a number of mechanisms including:

- Meetings between the Chairman and the Non-Executive Directors, individually and collectively, without the Executive Directors present. These are typically held before each Board meeting and used to discuss areas relevant to the operation of the Board and the Group in a more private setting. This year there were six of these meetings held
- Separate and clearly defined roles for the Chairman, as head of the Board, and the Chief Executive Officer, as head of executive management, as set out on pages 117 to 118.

The Nominations Committee oversees the overall independence of Board membership and the continuing independence of individual Directors, with the Board deemed independent in line with the recommendations of the Code. Further details of this supporting evaluation can be found on page 139.

Time commitment and external appointments

The expected time commitment of the Chairman and Non-Executive Directors is agreed and set out in writing in the letter of appointment to the position, at which time the existing external demands on an individual's time are assessed to confirm their capacity to take on the role. This was a key consideration this year in the recommendation to appoint Duncan Owen, Manju Malhotra and Nick Mackenzie to the Board. Further appointments which could impair the ability to meet these arrangements can only be accepted following approval of the Board.

When assessing additional directorships, the Board considers the number of public directorships held by the individual already and their expected time commitment for those roles (see biographies on pages 102 to 105). The Board takes into account guidance published by institutional investors and proxy advisers as to the maximum number of public appointments which can be managed efficiently.

Executive Directors may accept a non-executive role at another company with the approval of the Board.

Graham Clemett is the Senior Independent Non-Executive Director and Chairman of the Audit Committee at The Restaurant Group PLC.

The Board is satisfied that each of the Non-Executive Directors can devote sufficient time to the Company's business to discharge their responsibilities effectively. They offer strategic guidance to Board discussions and independent decision-making to their Board and Committee duties (see the table on page 101 for Board meeting attendance).

The Nominations Committee keeps under review the tenure of all Directors, Board diversity and the effectiveness of individual Directors.

The biographies of all of the members of the Board, outlining their experience, can be found on pages 102 to 105.

DIVISION OF RESPONSIBILITIES CONTINUED
HOW WE GOVERN CONTINUED

NON-EXECUTIVE DIRECTORS CONTINUED

Stephen Hubbard

As in previous years, the independence of Stephen Hubbard was specifically considered during the year. Stephen was previously Chairman of CBRE UK, who are the Group's external independent valuers. Stephen retired from CBRE UK in December 2019.

Furthermore, while he remained as Chairman of CBRE UK, he had no involvement in any discussions or decisions regarding the appointment of CBRE or the fees paid to them.

The appointment of CBRE is by the Directors of the Company, acting through the Executives, and any communication is entirely with them.

The Board is satisfied and continues to conclude that Stephen remains independent both in character and in judgement, including in relation to his responsibilities as Chairman of the Company.

In addition, in July 2020, Stephen stepped down from the Audit Committee on his appointment as Chairman of the Company.

Re-election and election of Directors

In accordance with the Code, all the Directors will submit themselves for election or re-election at the AGM on 21 July 2022, except for Damon Russell who will be stepping down from the Board as a Non-Executive Director and will not seek re-election. Following the external Board evaluation review, detailed on page 140, and taking into account the Directors' skills and experience (set out on pages 102 to 105), the Board believes that the election and re-election of the Directors is in the best interests of the Company.

The explanatory notes in the Notice of Meeting for the AGM state the reasons why the Board believes that the Directors proposed for re-election at the AGM should be reappointed.

Duncan Owen will be seeking election as a Director following his appointment to the Board on 22 July 2021 and Manju Malhotra and Nick Mackenzie will be seeking election as Directors following their appointments to the Board on 26 January 2022. Duncan, Manju and Nick are each submitting themselves for election by shareholders at the AGM in July 2022 as this will be the first AGM since they were appointed as Directors.

The Board is satisfied that Duncan, Manju and Nick are independent in accordance with the Code and that there are no circumstances which are likely to impair or could appear to impair their independence as Non-Executive Directors. The Nominations Committee of the Group has considered their commitments and has concluded that they have sufficient time to meet their Board responsibilities.

Rosie Shapland was appointed as Chair of the Audit Committee following the AGM in July 2021. Rosie was appointed as Senior Independent Director in February 2022 on the retirement of Chris Girling.

Lesley-Ann Nash assumed the role of Chair of the Remuneration Committee in September 2021.

Duncan Owen was appointed as Chair of the newly formed ESG Board Committee.

Mr Clemett has a service contract and details can be found on page 188.

Mr Benson has a service contract and details can be found on page 188.

None of the Non-Executive Directors have service contracts and are instead given letters of appointment. The appointments of Damon Russell, Rosie Shapland, Lesley-Ann Nash, Duncan Owen, Manju Malhotra and Nick Mackenzie may be terminated by either the Company or any one of them giving three months' notice in writing. The appointment of Stephen Hubbard may be terminated by either him or the Group giving six months' notice in writing.

The terms and conditions of appointment of Non-Executive Directors, including the expected time commitment, are available for inspection at the Company's registered office.

DIVISION OF RESPONSIBILITIES CONTINUED
HOW WE GOVERN CONTINUED

The relationship between the Board and the Executive Committee

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

As at 31 March 2022, the Board comprised the Chairman, six Non-Executive Directors (all of whom are independent) and two Executive Directors. This meets the requirement of the Code for at least half the Board, excluding the Chairman, to be independent Non-Executive Directors.

Executive Committee – managing the business
The Executive Committee, which is chaired by Graham Clemett, supports the Board by providing executive management of Workspace within the strategy approved by the Board.

The Executive Committee is accountable to the Board for implementation of the agreed strategy. The Executive Committee monitors customer and market trends, assesses the implications and benefits of asset management initiatives and oversees the effectiveness of the governance framework.

The Board delegates all operational matters to the Executive Committee except for the matters reserved for the Board.

THE BOARD
The Board is responsible for contemplating market trends and their impact on our strategy, assessing appropriate levels of risk and setting the objectives for the business, including the approach to ESG matters. It delegates the delivery of the strategy to the Executive Committee.

MATTERS RESERVED FOR THE BOARD
The Board has a formal schedule of matters reserved for its approval which includes:
- review and approval of the Group's strategy, business objectives and annual budgets
- approval of the Group's dividend policy and the payment and recommendation of interim and final dividends
- approval of full-year and half-year results, including the review and approval of the going concern basis of accounting and the viability assessment
- health and safety performance across the Group
- on the advice of the Nominations Committee, reviewing succession plans for the Board and senior management team
- review and approval of corporate transactions
- setting the Group's purpose, values and standards
- approval of decisions likely to have a material impact on the Company or Group from any perspective, including, but not limited to, financial, operational, strategic or reputational
- responsible for setting the risk appetite and tolerance of the Group

EXECUTIVE COMMITTEE
The Executive Committee is responsible for managing the business, day-to-day operational decisions and delivering the strategy set by the Board.

EXECUTIVE COMMITTEE ACTIVITIES IN 2021/22
- Developed the Group strategy and budget for approval by the Board
- Received updates on the Company's sustainability strategy
- Monitored operational and financial results against plans and budgets
- Considered regulatory developments
- Reviewed and approved capital expenditure within the authorities delegated by the Board
- Collectively responsible for the day-to-day running of the business
- Developed leadership skills and the future talent of the business so that strong succession plans are in place as the Group develops
- Analysed and reviewed initiatives of particular interest to the Group and presented these to the Board as appropriate
- Focused on the effectiveness of risk management and control procedures
- Reviewed, monitored and implemented the operational response to Covid-19
- Received regular feedback from centre staff and took responsibility for implementing suggestions for improvements

DIVISION OF RESPONSIBILITIES CONTINUED
HOW WE GOVERN CONTINUED

Composition of the Executive Committee

"The Executive Committee is responsible for the successful implementation of the Company's strategy and for the operational performance of the Group. It reviews the effectiveness of our governance, financial and risk management procedures and ensures that they are embedded within the Group."

Graham Clemett
Chief Executive Officer

Graham Clemett

CHIEF EXECUTIVE OFFICER

For full details of Graham's responsibilities and experience

Page 102

Dave Benson

CHIEF FINANCIAL OFFICER

For full details of Dave's responsibilities and experience

Page 103

Carmelina Carfora

COMPANY SECRETARY

SPECIFIC RESPONSIBILITIES:
Company Secretary to the Board and its Committees. Advises on legal, corporate governance, regulatory and compliance; manages share schemes and ensures compliance with Board procedures

BACKGROUND AND RELEVANT EXPERIENCE:
Carmelina joined the Company as Company Secretary in March 2010. She was previously Company Secretary of Electrocomponents PLC.

Will Abbott

CHIEF CUSTOMER OFFICER

SPECIFIC RESPONSIBILITIES:
Customer engagement; marketing and brand development

BACKGROUND AND RELEVANT EXPERIENCE:
Will joined the business on 20 April 2020, bringing a wide range of experience from over 20 years in marketing. Having started his career in advertising, Will held a number of senior roles across digital media, FMCG, financial services and travel sectors. Prior to Workspace, Will was Marketing Director UK & Ireland at Hiscox during a significant period of growth for the insurer, and most recently was Chief Marketing Officer of Neilson Active Holidays.

DIVISION OF RESPONSIBILITIES CONTINUED
HOW WE GOVERN CONTINUED

COMPOSITION OF THE EXECUTIVE COMMITTEE CONTINUED

Angus Boag

DEVELOPMENT DIRECTOR

SPECIFIC RESPONSIBILITIES:
Planning consents; redevelopment and refurbishment project management; building maintenance; joint ventures; valuations; sustainability and environmental strategy

BACKGROUND AND RELEVANT EXPERIENCE:
Angus joined the Group in June 2007 as Development Director. He has experience in property and construction management and is responsible for adding value to the Group's assets through planning consents, development and joint ventures. Angus also manages all construction across the portfolio and has responsibility for the sustainability programme.

Claire Dracup

DIRECTOR OF PEOPLE AND CULTURE

SPECIFIC RESPONSIBILITIES:
HR; training and staff development; internal culture; business centre support; health and safety; monitoring of customer service

BACKGROUND AND RELEVANT EXPERIENCE:
Claire joined Workspace in 1995, initially as a Centre Manager before progressing to Portfolio Manager. In 2008 Claire became Head of Support Services and was responsible for facilities management, security, health and safety and business centre support, which included recruitment, training and improvements to service and quality control.

Paul Hewlett

DIRECTOR OF STRATEGY & CORPORATE DEVELOPMENT

SPECIFIC RESPONSIBILITIES:
Corporate strategic initiative development and execution; investor relations strategy

BACKGROUND AND RELEVANT EXPERIENCE:
Paul joined Workspace as Director of Strategy & Corporate Development in 2021. He was previously Executive Director of the UK investment Banking Real Estate team at J.P. Morgan Cazenove. Paul has over 20 years of Corporate Finance advisory and Corporate Broking experience, advising companies across the real estate sector on corporate strategy and a wide variety of transactions, most notably focused on Mergers & Acquisitions and Equity Capital Markets.

Leo Shapland

HEAD OF PORTFOLIO MANAGEMENT

SPECIFIC RESPONSIBILITIES:
Asset management of the portfolio, including lettings, lease renewals, property management and management of the centre and facilities team

BACKGROUND AND RELEVANT EXPERIENCE:
Leo joined Workspace in March 2022 from Aviva Investors, where he was Head of Real Estate Asset Management, responsible for the strategy and financial performance of a large diversified UK property portfolio. Prior to that, Leo spent ten years at Tishman Speyer, holding a number of roles in investment, development and asset management in the firm's London, San Francisco and Seattle offices.

Richard Swayne

INVESTMENT DIRECTOR

SPECIFIC RESPONSIBILITIES:
Investment strategy, acquisitions and disposals, and valuations

BACKGROUND AND RELEVANT EXPERIENCE:
Richard joined Workspace in November 2014 as an Investment Manager. He was promoted to Head of Investment in October 2017 and Investment Director in April 2020. Prior to joining Workspace, Richard qualified as a chartered surveyor and worked for Cushman & Wakefield Investors and LFF Real Estate Partners.

DIVISION OF RESPONSIBILITIES CONTINUED
HOW WE GOVERN CONTINUED

Information flow to the Board

BOARD OF DIRECTORS

12

Number of Board meetings in 2021/22

ONE-TO-ONE MEETINGS
One-to-one meetings are held between new Directors and senior management as part of the induction process. The CEO and CFO meet with senior management individually to discuss operations and performance, after which, the CEO and/or CFO will report back to the Board on matters that require discussion.

BOARD PRESENTATIONS
Employees below Board level are invited to present to the Board on operational topics. During the year our Investment Director gave an update on potential acquisitions and our Development Director updated the Board on the key development projects being undertaken by the Group. Our Director of Strategy & Corporate Development gave several Board updates on our acquisition of McKay Securities PLC. There were also updates from our Head of Sustainability and Chief Customer Officer.

EMPLOYEE ENGAGEMENT
The Chairman held several meetings with staff as part of his role as Non-Executive Director responsible for employee engagement. The Company also conducted a staff survey to understand the challenges employees were facing during lockdown. Regular town hall events kept employees connected. The feedback from there was then presented to the Board.

Information and support to the Board
The Board and its Committees are provided with comprehensive papers in a timely manner to allow members to be fully briefed on matters to be discussed at their meetings.

The Directors have access to the advice and services of the Company Secretary, Carmelina Carfora. Her biography can be found on page 123. At the direction of the Chairman, Carmelina is responsible for advising the Board on matters of corporate governance and compliance with Board procedures.

In consultation with the Chairman, the Chief Executive Officer and Chief Financial Officer, the Company Secretary manages the provision of information to the Board for their formal Board meetings and at other appropriate times.

The Chief Executive Officer and the Chief Financial Officer keep the Board fully aware, on a timely basis, of business matters relating to the Group. They provide various updates to the Board on many aspects of the business, ranging from trading performance, progress being made on our refurbishment and redevelopment projects, the rationale for acquisitions and disposals and how these are aligned to strategy. They also inform the Board on the discussions held with analysts, investors and other stakeholders.

The Chair of each Committee separately engages with Executive Committee members and other staff relevant to their roles, as well as meeting with relevant external advisers.

The Company Secretary and external advisers periodically update the Board on regulatory changes. These have included the 2018 Corporate Governance Code and developing guidance and practice in data protection, as well as regulatory developments relating to Covid-19.

The Board utilises an electronic Board paper system which provides immediate and secure access to Board papers and materials. Prior to each Board meeting, the Directors receive through this system the agenda and supporting papers permitting them to have the latest and relevant information in advance of the meeting.

After each Board meeting, the Company Secretary operates a comprehensive follow-up procedure to enable actions to be completed as agreed by the Board.

DIVISION OF RESPONSIBILITIES CONTINUED
HOW WE GOVERN CONTINUED

INFORMATION FLOW TO THE BOARD CONTINUED

How the Board discharges its responsibilities

The Board discharges its responsibilities through an annual programme of Board and Committee meetings which are scheduled throughout the year, with main meetings timed around the Group's financial calendar. Additional meetings are convened to consider an annual cycle of topics, including the annual strategy day, key management and financial updates, review of risk as well as the approval of acquisitions and refurbishment programmes. In the year ended 31 March 2022, the Board met formally on 12 occasions, including a strategy day in September 2021. Supplementary meetings or conference calls are held between formal Board meetings as required.

The Board engaged with the Company's advisers during the year and there was a presentation from the Company's brokers in July 2021. The Group's valuer, CBRE, presented to the Board in May 2021. The CBRE presentation covered the valuation of the property portfolio and the wider market in which the Company operates.

The Directors are expected to attend all meetings of the Board, the Committees on which they serve and the AGM, and to devote sufficient time to the Company's affairs, to enable them to fulfil their duties as Directors.

Should the Directors be unable to attend meetings, they would be provided with papers to allow them to make their views known to the Chairman ahead of that meeting.

Prior to each Board meeting, and periodically, the Chairman meets the Non-Executive Directors without the Executive Directors present, and maintains regular contact with the Chief Executive Officer, Chief Financial Officer and other members of the management team.

If any Director has concerns about the running of the Company or proposed action which cannot be resolved, these concerns are recorded in the Board minutes. No such concerns arose during the year under review.

Despite the continued impact of Covid-19, the Board have continued with their normal cycle of Board meetings and remained in regular communication with each other and with the management team.

Training and development

With the ever-changing environment in which Workspace operates, it is important that the Board maintains a good working knowledge of the property industry and how the Group operates within its sector, as well as remaining aware of recent and upcoming developments in the wider legal and regulatory environment.

Directors attend external seminars and briefings in areas considered appropriate for their professional development. This training is designed to build upon the diverse range of experience that each Director brings to the Board. The Company Secretary provides regular updates on legal, regulatory and corporate governance matters. As required, we invite external professional advisers to provide training and updates on their specialist areas. Updates and training are not solely reserved for legislative developments but aim to cover a range of issues including, but not limited to, market trends, the economic and political environment, ESG, technology and social considerations.

Our Directors are invited to identify areas in which they would like additional information or training, following which the Company Secretary will arrange for the necessary resources to be put in place. The resulting sessions may be internally or externally facilitated.

This year the Directors have received updates and presentations on the following areas:
- The legal duties of a Director (and Section 172 considerations)
- ESG commitments and net zero carbon pathway
- Compliance with the 2018 UK Corporate Governance Code
- Data protection compliance
- Executive remuneration trends and best practice, including ESG in remuneration
- Inclusion and diversity
- Conflicts of interest

COMPOSITION, SUCCESSION AND EVALUATION

Our people are at the heart of our culture. Our priority is to attract and develop talent while providing an environment in which all our employees can thrive.

Stephen Hubbard
Chairman of the Nominations Committee

QUICK LINKS

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

Membership and attendance at Nominations Committee meetings

The Committee comprises the Non-Executive Directors and is chaired by Stephen Hubbard. Details of individual attendance at the meetings held during the year are set out below. More information on the skills and experience of all Committee members can be found on pages 102 to 105.

	MEMBER SINCE	MEETINGS ATTENDED
Stephen Hubbard (Chair)	2014	6/6
Damon Russell	2013	6/6
Rosie Shapland	2020	6/6
Lesley-Ann Nash	2021	6/6
Duncan Owen[1]	2021	3/6
Manju Malhotra[2]	2022	1/6
Nick Mackenzie[3]	2022	1/6
Chris Girling[4]	2013	5/6
Suzi Williams[5]	2020	3/6

1. Duncan Owen was appointed as a Non-Executive Director on 22 July 2021.
2. Manju Malhotra was appointed as a Non-Executive Director on 26 January 2022.
3. Nick Mackenzie was appointed as a Non-Executive Director on 26 January 2022.
4. Chris Girling retired from the Board on 7 February 2022.
5. Suzi Williams stepped down as a Non-Executive Director of the Company on 10 September 2021.

Key topics considered by the Committee during the year

EXECUTIVE COMMITTEE SUCCESSION	Oversaw succession planning for the Executive Committee. During the year, Paul Hewlett, Director of Strategy and Corporate Development, and Leo Shapland, Head of Portfolio Management, joined the Company in November 2021 and March 2022 respectively.
BOARD SUCCESSION	Considered the composition of the Board and the succession of Non-Executive Directors and the skills, knowledge, experience, diversity and attributes required of future Non-Executive Directors. In considering Board succession, the Committee takes into account the length of tenure of the Non-Executive Directors and the importance of refreshing Board membership.
APPOINTMENTS TO THE BOARD	Led the appointment process for three new Non-Executive Directors.
MEMBERSHIP OF THE BOARD COMMITTEES	Reviewed membership of the Board Committees. During the year, Lesley-Ann Nash and Rosie Shapland assumed the role of Chair for the Remuneration and Audit Committees respectively. In addition, an ESG Board Committee was established to provide a higher level of focus on sustainability.
BOARD EFFECTIVENESS REVIEW	Oversaw the conduct of the Board effectiveness review, which was externally facilitated and focused on further developing a high-performing Board.
INCLUSION AND DIVERSITY POLICY	Reviewed the Inclusion and Diversity Policy and considered the progress against Board diversity principles.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

Nominations Committee Chairman's Letter

The Nominations Committee has continued to play a key role in supporting Workspace's long-term sustainable success. A Board that has the right skills, diversity of thought and experience is key in order to drive and deliver our strategy.

7 June 2022

Dear Shareholder

This report highlights the role of the Nominations Committee and the work it has undertaken during the year.

This year, the Committee continued with its focus on succession planning. The Nominations Committee and the Board are committed to making sure that, together, the Directors possess a mix of skills, experience, diversity and perspectives to support the long-term success of the Group as well as reflecting our culture and purpose. We are encouraged by our progress this year, including the appointment of three new Non-Executive Directors who bring considerable diversity of thought and experience to the Board.

We welcomed Duncan Owen to the Board in July 2021. Manju Malhotra and Nick Mackenzie joined in January 2022. Duncan, Manju and Nick have also undertaken an extensive induction programme, which included meeting employees from across the business and visiting some of our business centres.

During the year we conducted a Board effectiveness review; more information on this can be found on page 140.

Workspace has had continuing support in building our Board from Fidelio Partners Board Development & Executive Search Ltd ('Fidelio'), an independent external consultancy which was recently accredited by the FTSE Women Leaders Review (formerly the Hampton-Alexander Review) for the fifth year running for their contribution towards achieving gender balance on Boards and leadership teams. Fidelio's commitment to identifying the most qualified and inclusive candidates for roles has resulted in strong and diverse shortlists for each of the three Board appointments Workspace made during the financial year.

Board appointments are made on merit and aligned to the strategic objectives of the business. Workspace is confident that our new Directors were the strongest candidates for the positions with their skill sets and overall experience strongly fitting the candidate brief agreed by the Nominations Committee. Due to the robust policies and processes we have in place, including our choice of Board Search Advisor and our Inclusion and Diversity Policy, we are pleased that our Board has once again achieved 33% female membership as well as surpassing the requirements for ethnic diversity outlined in the Parker Review.

Damon Russell intends to retire from the Board with effect from the end of the AGM in July 2022, having served on the Board for nine years. On behalf of the Board, I would like to thank Damon for his service to Workspace and for his valuable contribution to the Board's work over the last nine years.

Looking forward, the Nominations Committee will continue to develop and monitor succession plans both at Board and senior management level. The Board remains conscious of the recommendations proposed by the FCA and set out by the FTSE Women Leaders Review (formerly the Hampton-Alexander Review). Due to the appointment of Rosie Shapland as Senior Independent Director, we now have a woman in a senior Board position.

Stephen Hubbard
Chairman of the Nominations Committee
7 June 2022

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

The role of the Nominations Committee

The Nominations Committee is responsible for monitoring that the Board, its Committees and Workspace's senior management have a good balance of skills, knowledge and experience, to lead Workspace effectively both now and in the long term.

This is achieved through succession planning and talent development, and an understanding of the changing competencies required to support the Group's strategy, purpose, vision, culture and values. The way in which this is supported through the current Board composition is set out on page 135.

The Committee also plays a key role in supporting inclusion and diversity at Workspace, which at Board level involves reviewing and monitoring processes and initiatives in the Group, with employee engagement playing an important role.

The Committee is also responsible for recommending candidates for the role of Non-Executive Director responsible for employee engagement.

How the Committee operates

The Committee held six meetings, primarily to progress the appointment of our new Non-Executive Directors.

- The meetings are usually held immediately prior to or following a Board meeting, though the Committee also meets on other occasions on an ad hoc basis, as required
- Only members of the Committee have the right to attend meetings. However, an invitation to attend meetings is, on occasion, extended to the Chief Executive Officer, in order that the Committee can understand his views, particularly on key talent within the business
- All Directors can, for the purpose of discharging their duties, obtain independent professional advice at the Company's expense. No Director had reason to use this facility during the year

Nominations Committee responsibilities

The Nominations Committee considers the structure, size and composition of the Board, its Committees and members of the Executive Committee. The Nominations Committee also receives oversight from the Chief Executive Officer on the Company's leadership roles, which include the Executive Committee members and their direct reports. The Committee's responsibilities include:

- Leading the process for new Board appointments and reviewing succession for Directors and senior management
- Regularly reviewing the structure, size and composition of the Board and its Committees
- Facilitating an effectiveness review of the Board, its Committees and Directors
- Reviewing the time commitment expected from the Chairman and Non-Executive Directors
- Recommending the election and re-election by shareholders of the Directors, having due regard to their performance and ability to continue to contribute to the Board, taking into consideration the skill, experience and knowledge required along with the need for progressive refreshing of the Board

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

Nominations Committee activities in 2021/22

ACTIVITIES

1 Board succession and appointment of new Non-Executive Directors

During the year, the Committee continued to fulfil its core responsibilities of reviewing the structure of the Board and its Committees, taking diversity into account when recommending new Board appointments and adhering to a formal appointment and induction process.

Chris Girling retired from the Board in February 2022 having served nine years on the Board.

Damon Russell will have served nine years as a Non-Executive Director in May 2022 and will therefore retire following the conclusion of the AGM in July 2022.

The ongoing search for new Non-Executive Directors continued during the year in order to strengthen our diversity of skills, knowledge and personal experiences. As part of our ongoing succession planning, a review of Board composition during the year resulted in three new Non-Executive Directors joining the Board. Duncan Owen joined on 22 July 2021, Manju Malhotra and Nick Mackenzie both joined the Board on 26 January 2022. The recruitment process is set out on page 132.

Key considerations for the search process

The Nominations Committee discussed the skills and experience required for new members joining the Board. It was concluded that the successful candidates would collectively bring the following attributes:

- Deep property expertise and familiarity with tenant and occupier trends
- An understanding of the investment markets
- Strong operational focus and ability to contribute to Workspace's ambition to develop its customer-centric business model
- The ability to draw on long-term, relevant experience of driving value for the customer
- Experience of working in service-focused industries, such as the hospitality sector
- An ability to constructively challenge and support the management team and the Board while maintaining a highly collaborative approach and collegiate style
- Familiarity with the requirements of being a Board member of a listed company
- A keen awareness of stakeholder interests and a strong interest in ESG and how it is shaping the work of the Board and the impacts on the business
- A good understanding of the parameters of being a Non-Executive Director and possess a strong capability to add value to the role
- Understand the importance of diversity and inclusion agendas and the value this brings to an organisation
- Excellent judgement, able to lead logical and evidence-based discussions

In addition, there was a clear expectation that candidates would be able to devote sufficient time to the role.

Our extensive search and selection process

Fidelio, an independent external consultancy, were engaged to conduct the selection processes.

Fidelio were asked to draw up detailed role specifications. These were reviewed with the Chairman who then engaged with the Nominations Committee. Final role specifications were then approved.

Details of the recruitment process can be found on page 132.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATIONS COMMITTEE ACTIVITIES IN 2021/22 CONTINUED

BOARD SUCCESSION AND APPOINTMENT OF NEW NON-EXECUTIVE DIRECTORS CONTINUED

Considered candidates with relevant and diverse skills

In follow-up discussions held between the Chairman and the Committee, they reflected upon the experience of the candidates and their specific skill sets.

Duncan Owen, Manju Malhotra and Nick Mackenzie all currently perform executive roles and are CEOs running businesses in the property, retail and hospitality sectors. The Nominations Committee considered that given their existing executive roles they would bring a fresh and complementary perspective to an existing Board of Directors, who already bring valuable expertise and knowledge from diverse roles in property, finance and government.

The biographies for the Board of Directors can be found on pages 102 to 105.

External search consultancy engaged by the Nominations Committee

Fidelio was recently accredited by the FTSE Women Leaders Review (formerly the Hampton-Alexander Review) for the fifth year running for their contribution towards achieving gender balance on Boards and leadership teams.

NON-EXECUTIVE DIRECTOR RECRUITMENT PROCESS

KEY CONSIDERATIONS FOR THE SEARCH PROCESS

STAGE 1

The Nominations Committee discussed the skills and experience and time commitment required for new members joining the Board.

OUR EXTENSIVE SEARCH AND SELECTION PROCESS

STAGE 2

Fidelio, an independent external consultancy, were engaged to conduct the selection process.

Fidelio were asked to draw up detailed role specifications. These were reviewed with the Chairman who then engaged with the Nominations Committee. Final role specifications were then approved.

STAGE 3

The Nominations Committee then agreed that the Chairman would conduct interviews with an initial long list of candidates presented.

Following these interviews, the Chairman and Fidelio compiled a shortlist of at least three candidates for each role based on their level of experience, commercial focus and specific experience of the property sector.

STAGE 4

The shortlisted candidates were then further interviewed by members of the Nominations Committee and the Chief Executive Officer.

CONSIDERED CANDIDATES WITH RELEVANT AND DIVERSE SKILLS

STAGE 5

In follow-up discussions held between the Chairman and the Committee, they reflected upon the experience of the candidates and their specific skill sets.

STAGE 6

After due consideration, the Committee recommended the appointment of Duncan Owen to the Board with effect from 22 July 2021 and the appointment of Manju Malhotra and Nick Mackenzie to the Board with effect from 26 January 2022.

The biographies for Duncan, Manju and Nick can be found on pages 104 to 105.

The Board development team of Fidelio facilitated a Board Evaluation, which was concluded in March 2022.

Details of the external evaluation can be found on page 140. Fidelio have no other connection with the Company or the individual Directors.

Time commitments

The Directors have demonstrated a strong commitment to their roles on our Board and Committees. The Directors attended meetings of the Board and Committees scheduled in 2021/22 as well as additional ad hoc meetings. For further details of attendance at meetings see page 101.

The Directors have also given careful consideration to their external time commitments to confirm that they are able to devote an appropriate amount of time to their roles on our Board and Committees. For each of the Directors, the Board considers that the time commitment that he or she is required to devote to those roles does not compromise their external roles at Workspace. The Nominations Committee reviews on an ongoing basis Directors' time commitments and confirmed that they were fully satisfied with the amount of time each Director devoted to the business.

The Committee also recognises that there is value in the Non-Executive Directors being active on other Boards in an Executive or NED capacity.

"I have been impressed by the warm culture and agile approach to customers as well as how the competitive advantage of the operational platform is clearly differentiated. It is the hospitality style of managing the portfolio that can drive significant future value for shareholders."

DUNCAN OWEN
Non-Executive Director

"The onboarding process has enabled me to gain broad and extensive insight into the business and operating model as well as getting a feel for the high-quality assets the business owns and operates. By allowing me to spend time out and about in the business it has been effective in providing an understanding of the culture and quality of the management teams."

NICK MACKENZIE
Non-Executive Director

"The comprehensive onboarding process at Workspace has given me a valuable insight into the business including one-to-one meetings with key members of the team. It is clear that the strategic purpose and unique market proposition is well understood throughout the organisation."

MANJU MALHOTRA
Non-Executive Director

Kennington Park, Oval

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED
NOMINATIONS COMMITTEE ACTIVITIES IN 2021/22 CONTINUED

Non-Executive Directors' induction programmes

All new Non-Executive and Executive Directors joining the Board undertake a formal and personalised induction programme which is designed to provide an understanding of the Company's business, strategy, culture, governance, management and its stakeholders. This will cover the operation and activities of the Company, including site visits and meeting members of the senior management team, the Company's principal strategic risks, the role of the Board, the decision-making matters reserved to the Board, and the responsibilities of the Board Committees. This is tailored to take into account a Director's previous experience and responsibilities.

The Company Secretary assists the Chairman in designing and facilitating an induction programme for new Directors and their ongoing training.

Directors are also briefed on their roles and responsibilities as a director of a listed company. For Non-Executive Directors, specific committee responsibilities relevant to their Committee membership are covered, to enable them to function effectively as quickly as possible.

In addition, Directors are offered follow-up sessions in any areas in which they want to increase their knowledge. We also offer ongoing bespoke development for Directors and Committee Chairs.

Directors are encouraged to continue to meet with management after their induction on an ongoing basis to support them and pass on their experience.

For the new Non-Executive Directors, Duncan Owen, Manju Malhotra and Nick Mackenzie, the induction programme included the following elements:

- One-to-one meetings with the Executive Directors and the Chairman, covering strategy, operational and financial matters, people, the control environment, capital structure and funding
- Briefings from the Company Secretary and the Head of Corporate Communications on legal governance matters and shareholder relationships, which were followed up by sessions with the Company brokers and external advisers
- Briefings from senior executives and managers across our key business areas and operations, including strategy and corporate development, marketing, asset management, investment, brand development, ESG and technology
- Access to reference materials, including key information on our governance framework, recent financial data, investor relations and policies supporting our business practices, including our share dealing policies, conflicts of interest procedure and Directors' duties
- Tours of properties within the portfolio with the relevant asset management teams were also completed

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED
NOMINATIONS COMMITTEE ACTIVITIES IN 2021/22 CONTINUED

2 Performance of the Nominations Committee

The performance of the Nominations Committee was considered through an externally facilitated evaluation process, with a focus on the contribution to a high-performing Board.

From the responses provided, it was concluded that the Nominations Committee was operating effectively.

3 Board composition

Reviewing the Board and Committee composition

As part of the Board's annual effectiveness review, described on page 139, the Committee considers the composition of the Board and its Committees in terms of balance of skills, experience, length of service and wider diversity considerations.

The Board and its Committees continue to have a strong mix of experienced individuals on the Board who are not only able to offer an external perspective on the business, but also provide constructive challenge to review the Group's strategy. The Nominations Committee is satisfied that each Director continues to make an effective contribution to the Board and to fulfil their duty to promote the success of the Company.

The Board has carefully considered the guidance criteria regarding the composition of the Board under the UK Corporate Governance Code. In the opinion of the Board, the Chairman and all the Non-Executive Directors bring independence of judgement and character, a wealth of experience and knowledge and the appropriate balance of skills. The Directors give sufficient time to enable them to carry out effectively their responsibilities and duties to the Board and the Committees on which they sit.

They are sufficiently independent of management and are free from any other circumstances or relationships that could interfere with the exercise of their judgement.

As at 31 March 2022, the Board comprised the Chairman, two Executive Directors and six Non-Executive Directors. Further details on the independence of the Directors and their election and re-election can be found on page 121 and on pages 3 to 4 of the 2022 Notice of Annual General Meeting.

In accordance with the Code, with the exception of Damon Russell, all the Directors will retire and offer themselves for election or re-election by shareholders at the 2022 Annual General Meeting. Having served as a Non-Executive Director for nine years in May 2022, Damon Russell will retire following the conclusion of the AGM in July 2022.

The biographies of all members of the Board, outlining the skills and experience they bring to their roles, are set out on pages 102 to 105.

Both Damon Russell and Stephen Hubbard will have been on the Board for more than six years, so the Committee has undertaken a review of their contribution to the Board. The Committee concluded that both Damon and Stephen are independent and continue to bring a range of relevant skills gained in diverse business environments. This enables the Directors to bring the benefit of varying perspectives to Board debate.

Stephen Hubbard was appointed as the Non-Executive Director for employee engagement in July 2020. Further details can be found on page 117.

Furthermore, the respective skills of the Directors were found to complement one another, enhancing the overall operation of the Board.

Chairman's evaluation for 2021/22

The Senior Independent Director chaired a meeting of Executive and Non-Executive Directors, without the Chairman present, to appraise the Chairman's performance and to address any other matters which the Directors might wish to raise. The outcome of these discussions were conveyed by the Senior Independent Director to the Chairman. It was concluded that the Chairman is highly respected and is valued for his industry knowledge and experience. The Board is satisfied that the Chairman continues to be effective and shows a high level of commitment in discharging his responsibilities.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATIONS COMMITTEE ACTIVITIES IN 2021/22 CONTINUED

BOARD COMPOSITION CONTINUED

BOARD TENURE AS AT 31 MARCH 2022

	Year joined	Length of time (to 31 March 2022)
Executive Directors		
GRAHAM CLEMETT	2007	14 YEARS 8 MONTHS
DAVE BENSON	2020	2 YEARS 0 MONTHS
Non-Executive Directors		
STEPHEN HUBBARD	2014	7 YEARS 8 MONTHS
ROSIE SHAPLAND	2020	1 YEAR 4 MONTHS
LESLEY-ANN NASH	2021	1 YEAR 2 MONTHS
DAMON RUSSELL	2013	8 YEARS 10 MONTHS
DUNCAN OWEN	2021	8 MONTHS
MANJU MALHOTRA	2022	2 MONTHS
NICK MACKENZIE	2022	2 MONTHS

BOARD SKILLS AND EXPERIENCE AS AT 31 MARCH 2022

	Executive and Leadership	Property and Real Estate	Financial	Corporate Governance	Customer and Marketing	People	ESG
Executive Directors							
GRAHAM CLEMETT	●	●	●	●	●	●	●
DAVE BENSON	●	●	●	●	●	●	●
Non-Executive Directors							
STEPHEN HUBBARD	●	●	●	●	●	●	●
ROSIE SHAPLAND			●	●		●	●
LESLEY-ANN NASH	●		●	●		●	●
DAMON RUSSELL	●			●	●	●	
DUNCAN OWEN	●	●	●	●		●	●
MANJU MALHOTRA	●		●		●	●	
NICK MACKENZIE	●	●	●	●	●	●	●

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATIONS COMMITTEE ACTIVITIES IN 2021/22 CONTINUED

4 Inclusion and diversity

This Inclusion and Diversity Policy applies both to the Board and the wider business. Workspace's purpose is to give businesses the freedom to grow. We know that a workforce made up of people with a wide range of backgrounds and experiences will contribute to our long-term success and help to achieve our goals. We are committed to supporting diversity and to creating an inclusive culture that attracts the best individuals to our Company.

We value diversity in all its richness and work hard to create an environment where talented people can thrive, without regard to gender, gender reassignment, race, ethnicity, age, religious beliefs or absence of religion or belief, sexual orientation, marital and civil partnership, disability, education or social background.

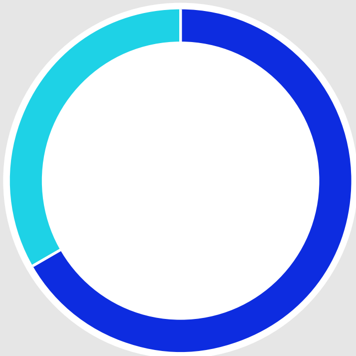
As part of that philosophy, we believe that every employee has the right to be treated with respect and dignity throughout their employment with us and not to be discriminated against. We have a zero tolerance attitude to bullying, harassment or victimisation of any kind.

This commitment to diversity and inclusion is incorporated into all aspects of our recruitment and selection, training and development, and performance reviews and promotion processes are all based solely on individual merit and free from bias.

We monitor and analyse employee gender and ethnicity information and we actively follow recommendations for improving diversity. We consider this to be consistent with our policy that selection should be based on the best person for the role. We are committed to using recruitment processes, including advertisements and use of recruitment agencies, which allow a diverse group of potential candidates to be identified both at Board and employee level.

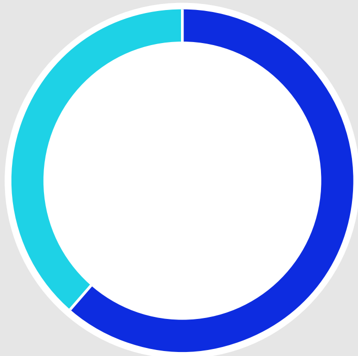
As a business we recognise the importance of developing an inclusive and diverse talent pipeline and we have, therefore, tasked our business leaders and our Human Resources team with delivering a number of supporting initiatives to increase diversity and build a pipeline of talented employees and senior managers.

GENDER DIVERSITY OF THE BOARD
AS AT 1 APRIL 2022



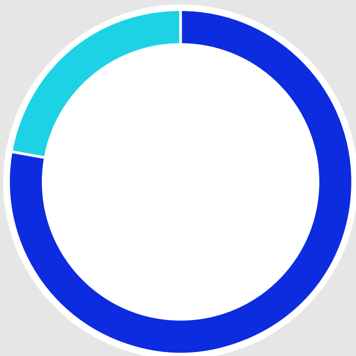
Male	**66.7%**
Female	**33.3%**

GENDER DIVERSITY OF EXECUTIVE COMMITTEE AND DIRECT REPORTS
AS AT 1 APRIL 2022



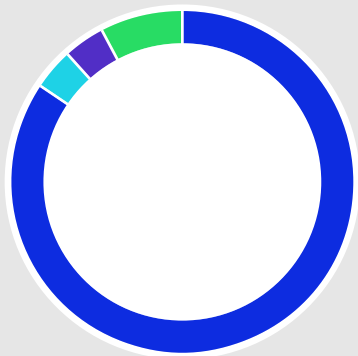
Male	**62%**
Female	**38%**

ETHNIC DIVERSITY OF THE BOARD
AS AT 1 APRIL 2022



White	**77.8%**
Minority ethnic	**22.2%**

ETHNIC DIVERSITY OF EXECUTIVE COMMITTEE AND DIRECT REPORTS
AS AT 1 APRIL 2022



White – English/Welsh/Scottish/ Northern Irish/British	**85%**
White – Irish	**4%**
White – Other	**4%**
Asian/Asian British – Indian	**7%**

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED
NOMINATIONS COMMITTEE ACTIVITIES IN 2021/22 CONTINUED

INCLUSION AND DIVERSITY
CONTINUED

Our HR colleagues continue to work closely with employees to identify and progress these initiatives, including:

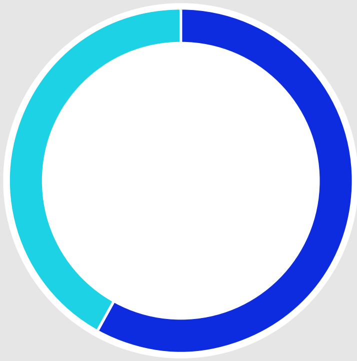
- offering flexible working options (including hybrid working) to support employees with family and/or caring commitments
- organising unconscious bias training for all employees as well as interview skills training for members of the Executive Committee and all hiring managers
- appointing a Recruitment Manager to oversee our entire recruitment activity and process
- providing guidance and support notes to hiring managers to promote fair and thorough processes
- continuing to advertise new job vacancies internally to encourage internal applications
- reviewing and auditing job descriptions and person specifications to confirm that inclusive language is being used consistently and working with recruitment agencies to make sure the same applies to any materials produced by them
- requiring, wherever possible, candidate shortlists for executive-level positions to include an equal number of men and women
- introducing bi-monthly HR meetings with Heads of Departments and senior managers with a view to identifying opportunities for development
- continuing to promote progressive career development through job rotation to broaden experiences and skills
- supporting individuals with further studies
- identifying, during the annual appraisal process, employees who have strong potential for development at Workspace, and putting training and development plans in place for them
- sponsoring external learning and development as well as providing a group-wide internal training programme to offer employees opportunities to learn and develop skills such as organisation, people management and managing difficult situations
- ensuring that our recruitment agencies have a commitment and track record in diverse appointments

Hampton-Alexander and Parker Reviews

The Board's gender and ethnicity balance reflects the requirements that were set by the Hampton-Alexander and Parker Reviews.

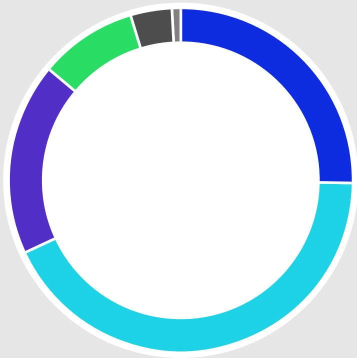
The Board remains focused on promoting broader diversity and creating an inclusive culture in line with the recommendations of both the FTSE Women Leaders Review (the successor to the Hampton-Alexander Review) and the Parker Review. A diverse organisation benefits from differences in skills, industry experience, background, disability, race, gender, sexual orientation, religion and age, as well as culture and personality.

GENDER DIVERSITY OF ALL EMPLOYEES
AS AT 1 APRIL 2022



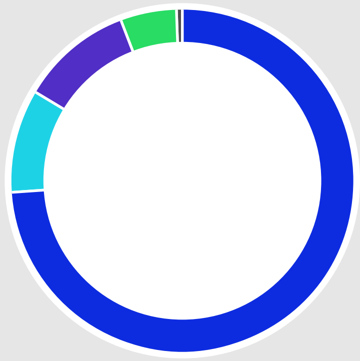
Female	**155**
Male	**111**

AGE DIVERSITY OF ALL EMPLOYEES
AS AT 1 APRIL 2022



20–29	**69**
30–39	**113**
40–49	**48**
50–59	**24**
60–69	**10**
70–79	**2**

ETHNIC DIVERSITY OF ALL EMPLOYEES
AS AT 1 APRIL 2022



White	**196**
White – English/Welsh/Scottish/Northern Irish/British	146
White – Irish	5
White – Other	45
Black	**26**
Black/African/Caribbean/Black British – Caribbean	13
Black/African/Caribbean/Black British – African	9
Black/African/Caribbean/Black British – Other	4
Asian	**28**
Asian/Asian British – Indian	13
Asian/Asian British – Bangladeshi	4
Asian/Asian British – Pakistani	2
Asian/Asian British – Other	9
Mixed	**14**
Mixed – White and Black Caribbean	4
Mixed – White and Black African	3
Mixed – White and Asian	1
Mixed – Other	4
Mixed/Multiple ethnic groups – Other	2
Other ethnic group	**1**

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED
NOMINATIONS COMMITTEE ACTIVITIES IN 2021/22 CONTINUED

INCLUSION AND DIVERSITY CONTINUED

Board diversity principles

We have a policy to promote diversity and inclusivity across the business, including on the Board, recognising that a group that is diverse in nature, irrespective of gender, ethnicity, skills, experience and background, is able to provide differing perspectives and challenge to debates and decisions. When recruiting new Board members, the Nominations Committee makes all decisions in consideration of this policy and the principles below. The principles have been agreed with the aim of increasing diversity within our Board and developing a pipeline of high potential diverse leaders and senior managers.

BOARD DIVERSITY – PRINCIPLES AND PROGRESS

PRINCIPLES	IMPLEMENTATION	PROGRESS AGAINST OBJECTIVES
Ensure the Board comprises an appropriate balance of skills and brings a balance of diverse characteristics including in terms of gender, ethnicity, skills, experience and background in order to bring fresh perspectives and to enrich our business and contribute to our long-term success.	The diversity of the Board, in a number of respects, is continually reviewed by the Nominations Committee and is considered annually by the wider Board as part of the Board evaluation process to ensure the Board is continuing to enrich the business and contribute to its long-term success.	In March 2022, the Board attended a workshop hosted by Fidelio to consider the outcome of the 2022 Board evaluation process. An important part of the discussion related to the value of diversity, including cognitive diversity. No concerns were raised in connection with the diversity of the Board. In addition, as a result of the Nominations Committee's continual review of the cohesiveness of the Board, three new Non-Executive Directors were appointed during the year, bringing fresh perspectives to the Board and its Committees. 33% female representation on our Board as at 31 March 2022. 22% ethnic minority representation on our Board as at 31 March 2022. In line with the principles of the Parker Review, the Board actively seeks diverse candidates. The calibre of the candidates identified during the most recent recruitment exercise was outstanding and further details can be found on page 132.
Ensure the recruitment process, including advertisements and use of recruitment agencies, allows for a diverse group of potential candidates to be identified.	The Board places importance on ensuring the recruitment process is fair and is based solely on individual merit. The Board instructs executive search firms to assist with sourcing the best candidates for the role. When instructing an executive search firm, the Board will explicitly request that a diverse mix of individuals are identified for the role.	During the year, the Nominations Committee engaged Fidelio to assist with the recruitment of three new Non-Executive Directors. Fidelio presented a diverse range of potential candidates for consideration. Following an extensive search and selection process, Board appointments were made during the year as follows: – 22 July 2021, Duncan Owen was appointed as a Non-Executive Director; and – 26 January 2022, both Manju Malhotra and Nick Mackenzie were appointed as Non-Executive Directors. In making these appointments, the Board considered this Board Diversity Policy and additional relevant guidance.
The Board and Nominations Committee will only engage with executive search firms that have signed up to the Standard Voluntary Code of Conduct for Executive Search Firms.	The Board will continue to engage executive search firms that have signed up to the Standard Voluntary Code of Conduct.	During 2021/22, Fidelio were the only executive search firm engaged by the Board. Fidelio is accredited under the Hampton-Alexander Enhanced Code of Conduct and has signed up to the Standard Voluntary Code of Conduct in order to provide sufficient support to the Board in enhancing diversity.
Board attention and focus is given to initiatives designed to develop a pipeline of talented, high potential employees and senior managers from a diverse range of backgrounds including in terms of gender, ethnicity, skills, experience and background.	The HR team has been tasked with delivering a number of supporting initiatives to support and progress this principle.	During the year, the HR team continued to work on a number of initiatives including unconscious bias training for all employees, appointing a Recruitment Manager to oversee recruitment and introducing bi-monthly meetings between HR, Heads of Department and senior managers to identify opportunities for development. See page 137 for more details.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED
NOMINATIONS COMMITTEE ACTIVITIES IN 2021/22 CONTINUED

5 Board evaluation

> A high-performing Board is characterised by particular characteristics. Composition and the need for diversity remain key, together with the ability to think strategically whilst ensuring effective engagement with the Executive and the business.

Developing a high-performing Board

In 2021/22, the performance and effectiveness of the Board was reviewed through an externally facilitated evaluation process. This was conducted with support from Fidelio, who also led the external evaluation process in 2021, both of which were led by Gillian Karran-Cumberlege. The Board was keen to continue this work with Fidelio given their extensive Board evaluation and development experience, their focus on enhancing effectiveness and the Board's contribution to value. Fidelio were an active contributor to the BEIS consultation paper on Board Evaluation conducted by the UK Chartered Governance Institute.

The Executive search team of Fidelio were, in 2021, engaged to assist with the search and identification of three new Non-Executive Directors.

They have no other connection with the Company or individual Directors.

In conducting this evaluation, the Board was conscious of ensuring that the process met the requirements of the Code and had a clear focus on enhancing the effectiveness of the Board. Following Fidelio's evaluation in 2021 and the ongoing Board refreshment, the Board decided to leverage this momentum and conduct a review that would lead to meaningful insights and enable the Board to make further progress in enhancing performance and its effectiveness.

Stephen Hubbard and Carmelina Carfora with Gillian Karran-Cumberlege and Kate Barclay of Fidelio

This process was developed with a clear focus on the high-performing Board and how the Board adds value. The evaluation enabled the Board to reflect on its work in an engaged and interactive workshop discussion which resulted in clear recommendations. This approach built clearly on the prior Board evaluation, the progress to date, and also contributed to the momentum and potential of a relatively new Board.

Fidelio worked with the Company to develop an innovative approach to the internal evaluation which met the needs of the Code through the combination of a tailored questionnaire and a meeting of the Board to discuss feedback from the questionnaire.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATIONS COMMITTEE ACTIVITIES IN 2021/22 CONTINUED

BOARD EVALUATION PROCESS

JANUARY 2022

BOARD DISCUSSION

A discussion was held by the Board to consider key subject areas for this external review.

FEBRUARY 2022

FOCUSED QUESTIONNAIRE ISSUED TO THE BOARD

Fidelio developed a tailored questionnaire, focused on Board effectiveness and contribution to value.

MARCH 2022

MEETING WITH THE BOARD

The Board then had the opportunity to explore the findings during its meeting in March.

KEY QUESTIONS

What is a high-performing Board, taking into account best practice, as well as shareholder and stakeholder expectations?

How can the performance of the Board be measured, including the value that the Board contributes?

Where does Workspace and its Board members stand today?

What are the next steps for the Workspace Board to enhance performance and effectiveness?

Does the Committee structure remain appropriate?

KEY FOCUS AREAS

The questionnaire provided the opportunity for Board members to give valuable and focused feedback on their view of best practice and the attributes of a high-performing Board, as well as where the Workspace Board stands in that context.

DISCUSSED IN MEETING

The discussion was designed to debate the definition of a high-performing Board and what steps the Workspace Board can take to fulfil this ambition.

The Board had an open discussion which facilitated debate, including around shareholder, stakeholder and governance expectations and built agreement on practical steps towards becoming a high-performing Board.

KEY OUTCOMES

The feedback from this year's Board evaluation was positive and concluded that the Board worked well and the Committee structure continued to evolve.

Specific development themes included:

- Continued focus by the Board on strategy and horizon scanning
- Review of the Board Committee structure and membership for the next phase of Workspace's development, including the formation of an ESG Board Committee and the disbandment of the Risk Committee, with responsibilities to be integrated into the Board and Audit Committee's remits
- Continue to focus on effective workforce engagement
- Continuous learning for Board members to enhance understanding of the Company and the business it operates in
- Review progress on inclusion and diversity and ESG both at Board level and throughout the business

Following the recommendations from this external review, an implementation plan and progress tracker will be developed by Gillian Karran-Cumberlege and the Company Secretary and will be reviewed by the Board.

> **Openness and respect for the skills and experience of others. Utilising individuals' specific skills so that the value of the whole is greater than the sum of the parts.**

Stephen Hubbard
Chairman

Kennington Park, Oval

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED
NOMINATIONS COMMITTEE ACTIVITIES IN 2021/22 CONTINUED

What is a high-performing Board?

At its meeting in March 2022, the Board considered the attributes of a high-performing Board. The following themes were highlighted:

- Board composition is key, in particular the need for diversity, including of background and experience
- A high-performing Board is collaborative with a focus on challenging but also supporting the Executive team. Board members will have a good understanding of the company's purpose, values and culture and a commitment to setting the tone from the top. Not all Board members should come from the same sector but they should develop a firm grasp of the operating model
- Board members will focus on strategy and bring a good understanding of the business and sector and the business will benefit from a clear external perspective
- The quality of the Board dynamic is also significant for high performance, including an open culture and the ability to listen
- Good engagement with the company together with an open and supportive relationship with the Executive team
- A firm understanding for governance which is characterised by strong Board and Committee structures, as well as good reporting

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

NOMINATIONS COMMITTEE ACTIVITIES IN 2021/22 CONTINUED

BOARD EVALUATION CONTINUED

As part of our three-year external Board evaluation cycle, the Board and Committee evaluation process in 2021 was externally facilitated by Gillian Karran-Cumberlege of Fidelio. The feedback from this review was positive and concluded that the Board and its Committees continued to work well and that the Directors contribute effectively and demonstrate commitment to their roles. The specific development themes were agreed and these areas have been progressed within the period. Further details are provided below:

PROGRESS AGAINST THE EXTERNAL BOARD EFFECTIVENESS REVIEW CONDUCTED IN 2021.

ITEM DISCUSSED BY THE BOARD		PROGRESS AGAINST PRINCIPLES
STRATEGY	Continue to develop its oversight of strategy and its implementation.	The Board continues to consider the Group strategy at each Board meeting. An annual strategy day was held in September 2021 and this was attended by the Executive Committee. Actions from the strategy day were then circulated to the Board.
ENGAGEMENT FRAMEWORK	Create a clear framework for how Board members and the Executives can engage beyond the formal Board meetings.	During the year we initiated a programme of events outside of Board meetings at which members of the Board and Executive Committee can build relationships on a more informal, social basis. New Non-Executive Directors also meet with the Executive team and other employees as part of their induction process.
PEOPLE AND CULTURE	Continue to develop the Board's oversight of the broader people agenda, including diversity and inclusion, succession planning, culture and people leadership and development.	The CEO provides the Board with oversight of the broader people agenda, succession planning, development and changes in staff across the business. This includes updates from employee surveys and town hall meetings. The Chairman updates the Board on feedback received during the Chairman's breakfast sessions with employees. To celebrate International Women's Day, we hosted a panel discussion with Lesley-Ann Nash, Rosie Shapland and Manju Malhotra, who shared their experiences and achievements over the years. The event was well attended by employees from across the business. The Board continues to review the Inclusion and Diversity Policy and progress made against the objectives. See page 138 for more details.
ESG	Continue to focus on ESG and how it is embedded into strategy.	The Head of Sustainability presented to the Board twice during the year on the sustainability strategy, governance and our science-based targets to transition to net zero carbon. A commitment to acting sustainably is one of three pillars to our strategy, which demonstrates how deeply it is embedded and ensures we consider sustainability in all business decisions.
STAKEHOLDER ENGAGEMENT	Maintain a focus on stakeholder and shareholder engagement.	The Chief Executive Officer and Chief Financial Officer provided feedback to the Board following meetings with analysts and investors held around our results, as well as following the announcement of our offer for McKay Securities PLC. Just after the year end, a Capital Markets event was held on sustainability, outlining our approach and strategy.
SUCCESSION PLANNING OF THE BOARD AND THE EXECUTIVE COMMITTEE	Maintain a focus on succession planning and composition of the Board's Committees and of the Executive Committee.	We are pleased with our progress this year. We appointed Duncan Owen, Manju Malhotra and Nick Mackenzie as Non-Executive Directors. Damon Russell will have served as a Non-Executive Director for nine years in May, so will be stepping down at the AGM in July 2022. We also welcomed two new members to the Executive Committee this year. Paul Hewlett, Director of Strategy & Corporate Development, and Leo Shapland, Head of Portfolio Management, joined in November 2021 and March 2022 respectively.
BOARD LEARNING	Review the approach to Board learning, developing a dynamic programme of relevant subject areas that reflect strategic priorities or challenges.	The Board strategy day offers an opportunity for members of the Board to hear from internal and external speakers on a variety of topics, including market trends and developments as well as strategic planning across areas of the business. We also commissioned a bespoke Board learning programme.

AUDIT, RISK AND INTERNAL CONTROL

Audit Committee Report

The Audit Committee’s role is to oversee the integrity of the Group’s financial reporting and fulfils a vital role in the Group’s governance framework.

Rosie Shapland
Chair of the Audit Committee

QUICK LINKS

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
AUDIT COMMITTEE REPORT CONTINUED

Membership and attendance at Audit Committee meetings

The Committee is made up entirely of Non-Executive Directors and each Committee member has considerable commercial knowledge and broad industry expertise. The Committee is chaired by Rosie Shapland. Details of individual attendance at the meetings held during the year are set out below. More information on the skills and experience of all Committee members can be found on pages 102 to 103.

	MEMBER SINCE	MEETINGS ATTENDED
Rosie Shapland (Chair)[1]	2020	3/3
Chris Girling[2]	2013	2/3
Lesley-Ann Nash	2021	3/3
Damon Russell	2013	3/3
Duncan Owen[3]	2021	2/3
Manju Malhotra[4]	2022	1/3
Nick Mackenzie[4]	2022	1/3
Suzi Williams[5]	2020	1/3

1. In accordance with the UK Corporate Governance Code 2018, the Board considers that Rosie Shapland has significant recent and relevant financial experience.
2. Chris Girling stepped down as a Non-Executive Director of the Company on 7 February 2022. As Chairman and member of the Audit Committee, Chris attended all meetings held prior to his departure. Chris stepped down as Chairman on 22 July 2021.
3. Duncan Owen joined the Board with effect from 22 July 2021. Duncan attended his first Committee meeting on 11 November 2021.
4. Manju Malhotra and Nick Mackenzie joined the Board with effect from 26 January 2022. They attended their first meeting on 23 March 2022.
5. Suzi Williams stepped down as a Non-Executive Director of the Company on 10 September 2021. Suzi attended all meetings held prior to her departure.

Key topics considered by the Committee during the year

FINANCIAL AND NARRATIVE REPORTING

- Reviewed the year-end financial statements including key judgements, estimates, assumptions and the going concern and viability statements
- Considered the content of the Annual Report and Accounts and advised the Board on whether, taken as a whole, the Annual Report and Accounts were fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Company's position, performance, business model and strategy
- Reviewed the adequacy of key financial controls and broader internal control systems
- Discussed the viability statement and going concern assumption with our External Auditor
- Reviewed a tax report and confirmation of compliance with REIT tax regime
- Discussed the presentation of the portfolio valuation by the independent valuers
- Considered the interim financial results and half-year statements
- Reviewed and discussed a report from KPMG, summarising their findings arising from the half-year review of the results of the Company for the six months ended 30 September 2021

EXTERNAL AUDIT

- Considered the External Auditor's report on the 2020/21 audit
- Reviewed letters of representation issued to the External Auditor for the full-year and half-year results prior to their being agreed by the Board
- Reviewed the independence of the External Auditor
- Held a private meeting with the External Auditor
- Considered the scope and cost of the external audit for the year ended 31 March 2022
- Reviewed the materiality threshold for the 2021/22 audit
- Considered the audit plan and strategy for the year ending 31 March 2022
- Monitored the ratio and level of audit to non-audit fees paid to the external auditor and agreed their remuneration for the year

GOVERNANCE

- Agreed the narrative of the Audit Committee Report
- Reviewed the corporate governance sections of the Annual Report
- Reviewed the requirement for an internal audit function
- Considered a paper from the Company Secretary on BEIS consultation
- Discussed assessment of the effectiveness of the Audit Committee
- Approved the Committee timetable and planner which detailed the areas of focus for 2021/22
- Examined the performance of the external auditors, their objectivity, effectiveness and independence, as well as the scope of the audit and annual audit plan
- Approved changes to the Committee's Terms of Reference
- Discussed the approach for the externally facilitated Committee effectiveness review

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
AUDIT COMMITTEE REPORT CONTINUED

Audit Committee Chair's Letter

"The Audit Committee plays a key role in promoting the maintenance of a strong and transparent control environment at Workspace."

7 June 2022

Dear Shareholder

I am pleased to present my first Audit Committee Report to you as Chair for the year ended 31 March 2022, which provides an overview of the key activities and focus of the Committee during the year. Although this is my first report as Chair of the Audit Committee, I have been a member since my appointment to the Board in November 2020 and succeeded Chris Girling as Chair following the Annual General Meeting in July 2021.

I would like to thank Chris for his considerable contribution to the work of the Committee during his nine-year tenure.

The Committee has been pleased with the performance and commitment of the Workspace team, the independent valuers, and our External Auditor and how they have handled the residual disruption caused by the Covid-19 pandemic.

Review of material issues
The Audit Committee has a key role in checking that the Group's narrative reporting gives a fair, balanced and understandable assessment of the Company's position and prospects and establishing that the financial statements provide a true and fair view of the Group's financial affairs. As part of this process, we considered the significant financial judgements made during the year, along with other key financial reporting issues. In this context, we considered the twice annual valuation of the investment portfolio, the valuation process and the key assumptions made by the valuers and their independence. Following our review, we are satisfied that the valuation process is robust, the assumptions and estimates used in the valuation are appropriate and that the valuers remain independent. Further details can be found on page 152.

We also considered, as we do on a regular basis, the potential for fraud in revenue recognition, scope for management override of controls and compliance with regulations. We found no concerns arising from this review.

A description of the main activities that the Committee considered during the year can be found on page 144.

Viability and going concern statements
The Committee considered the going concern statement in the interim statements and Annual Report, and the viability statement in the Annual Report. This included reviewing the work undertaken by management, which considered plausible downside forecasts which factored in the Group's principal risks and certain uncertainties, and the appropriateness of the five-year viability assessment period. Following this review, we were satisfied that management had conducted robust viability and going concern assessments and recommended approval of the statements to the Board.

See our viability and going concern statements on page 76.

2022 Annual Report
The External Auditor confirmed that it had found no material misstatements in the course of their work.

After reviewing the reports from management, and following discussions with the External Auditor and valuers, the Committee is satisfied that:
- The process used to determine the property valuation was satisfactory
- The financial statements appropriately addressed the key judgements and key estimates
- The Group has adopted appropriate accounting policies
- Both the External Auditor and valuers remain independent and objective in their work

The Board as a whole is responsible for assessing the Group's position, performance, business model and strategy. The Committee's role in this assessment is covered on page 151. For the year ended 31 March 2022, the Committee confirmed to the Board it was satisfied that the Annual Report and Accounts was fair, balanced and understandable.

Financial Reporting Council (FRC) review
The Group received a letter from the Financial Reporting Council concerning its limited scope review of the Group's Annual Report and Accounts for the year ended 31 March 2021. In response to the letter we have made some minor amendments to this year's Annual Report and Accounts.

The FRC review was based on the Annual Report and Accounts but provides no assurance that the Annual Report and Accounts are correct in all material respects and did not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into. It was conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework, although the FRC accepts no liability for reliance on this letter by the company or any third party, including but not limited to investors and shareholders.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT COMMITTEE REPORT CONTINUED

AUDIT COMMITTEE CHAIR'S LETTER CONTINUED

BEIS Consultation on Restoring Trust in Audit and Corporate Governance
As a Committee, we follow closely all regulatory developments and are committed to responding appropriately to any regulation, guidance or recommendations. In May 2021, the Committee received a briefing on the BEIS Consultation 'Restoring Trust in Audit and Corporate Governance'. We welcome the recommendations and responded to the consultation expressing broad support for the proposals to strengthen audit and governance as well as some constructive suggestions on certain of the recommendations. We will continue to monitor developments in audit reform and the impact of any other regulatory changes which may impact auditing and reporting requirements in the future.

Committee effectiveness
The Company undertook an externally facilitated Board effectiveness evaluation this year, which assessed our performance as a Committee. I am pleased that this concluded that we operate effectively and that the Board takes assurance from the quality of our work.

Following Board discussions on the structure of its Committees, the Committee shall, going forward, be formed of three members, including Lesley-Ann Nash, Manju Malhotra and I. Other Non-Executive Directors will remain welcome to attend should they wish to.

Risk, control and assurance
The Audit and Risk Committees have continued to work together during the year and have fulfilled a vital role in the Group's governance framework, providing valuable independent challenge and oversight. The Group has several processes in place to provide effective internal control, including self-certification of controls by risk owners, reviews of fraud, anti-bribery and whistleblowing policies and a risk management framework under which controls and their effectiveness are managed and evaluated. Between the Risk Committee, Audit Committee and the full Board, we have reviewed the effectiveness of the Group's risk management and internal control systems and no significant failings or weaknesses were identified.

Following the Board effectiveness review which focused on the attributes of a high-performing Board, it was agreed that the Risk Committee should be disbanded and many of its responsibilities would be subsumed into the Audit Committee. This will include advising the Board on the Group's risk appetite, tolerance and strategy. The Board will retain overall responsibility for the Group's risk management, particularly as regards risks relating to valuation, development and real estate.

We do not have a formal internal audit function, a matter which is kept under review by the Audit Committee. However, during the year, the Group appointed a Head of Security and Risk Management whose remit includes maintaining our risk management and control framework.

Climate Related Disclosures
The Board discussed the impact of climate change on the Group's financial reporting and financial statements and considered the newly introduced requirement for companies to disclose, on a comply or explain basis, against the recommendations of the Task Force On Climate-related Financial Disclosures (TCFD). The Board received updates on the Company's progress against this requirement from our Head of Sustainability.

European Single Electronic Format (ESEF)
We also considered the new requirement to prepare the Company's consolidated financial statements in digital form under the European Single Electronic Format regulatory standard.

I hope that you find this report informative and can take assurance from the work undertaken by the Committee during the year to deliver its key responsibilities.

Rosie Shapland
Chair of the Audit Committee
7 June 2022

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
AUDIT COMMITTEE REPORT CONTINUED

Role of the Audit Committee

The Audit Committee reviews and monitors the integrity of the Company's financial reporting in advance of its consideration by the Board. The Committee oversees the relationship with the External Auditor in order to assess their effectiveness and to annually assess their independence and objectivity.

How the Committee operates

The Audit Committee is composed solely of independent Non-Executive Directors, with a wide diversity of experience. Rosie Shapland, as a Chartered Accountant with many years of senior financial experience, satisfies the requirement of having appropriate recent and relevant financial experience.

Meetings of the Audit Committee coincide with key dates in the financial reporting and audit cycle. During the year, the Committee met on three occasions, in May and November 2021 and in March 2022. We also met in May 2022 to review the 31 March 2022 Annual Report and Accounts and the findings of the external auditor.

A forward plan of agenda items guides the business to be considered at each meeting and is regularly reviewed and developed. This assists and facilitates the work of the Committee, enabling it to give thorough consideration to matters of particular importance to the Company.

The Committee receives information in advance of its meetings including information from management and detailed reports from the External Auditor including the audit report. The Committee meets privately with the External Auditor, at least annually, and liaises with Company management in considering areas for review.

The Committee Chair also meets separately with the Chief Financial Officer, Chief Executive Officer and members of the Audit team at KPMG. These meetings inform the work of the Committee by identifying key areas of focus and emerging issues.

The Committee regularly invites the external audit lead partner, the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer and the Group Financial Controller. Representatives from our external valuers, CBRE, attend Board meetings twice per year to present the half- and full-year valuation reports.

Meetings of the Committee are held in advance of the Board meetings to allow the Committee Chair to provide a report on the key matters discussed to the Board, and for the Board to consider any recommendations made.

All of this, along with ongoing challenge, debate and engagement, allows the Committee to discharge its responsibilities effectively.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT COMMITTEE REPORT CONTINUED

ROLE OF THE AUDIT COMMITTEE CONTINUED

“During the year, the Audit Committee has continued to work with the Risk Committee, to review the adequacy and effectiveness of the Group’s risk management and internal control.”

Rosie Shapland
Chair of the Audit Committee

Audit Committee responsibilities

Financial reporting

- Review the year-end and interim financial statements and monitor the reporting process. Information on significant matters in relation to the financial statements that were considered by the Committee can be found on page 152
- Advise the Board on the Group’s viability and going concern status including the assumptions included in plans, key risks considered, and the sensitivities tested. More information on the Committee’s assessment of the Group’s viability and going concern status can be found on pages 76 and 77
- Review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess performance, the business model and strategy. The Group’s strategy and business model are explained on pages 32 to 35 and 14 to 21 respectively
- Review the appropriateness of accounting policies and practices

External audit

- Assess the work of the External Auditor and any significant financial judgements made by management. More information is available on pages 149 to 152
- Review and monitor the objectivity and independence of the External Auditor, including its policy governing the provision of non-audit services. Refer to page 149 for more information
- Review and monitor the effectiveness of the external audit process and the ongoing relationship with the External Auditor. More information on our process of safeguarding auditor independence is available on page 149

Financial risks

- Oversight and review of controls relating to financial risks and risks relating to finance IT systems
- Review the operational effectiveness of key controls in place to manage financial risk

More information on the Group’s internal controls and risk management process is available on pages 160 to 161 and the work of the Risk Committee is available on pages 158 to 159.

Governance, best practice and development

- Keeping up to date with developments regarding control environments (with advice from the External Auditor)
- Keeping up to date on investor, shareholder and market sentiment (with advice from the Company’s brokers)
- Ensuring compliance with applicable accounting standards, monitoring developments in accounting regulations as they affect the Group and reviewing the appropriateness of accounting policies and practices

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
AUDIT COMMITTEE REPORT CONTINUED

External audit

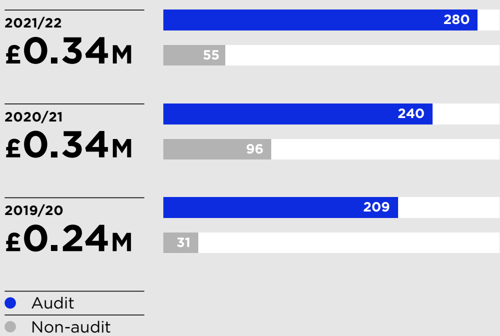
Following a competitive tender process, KPMG were appointed by shareholders as the Workspace External Auditor for the financial year ending 31 March 2018 and continue to be Workspace's External Auditor.

The current lead audit engagement partner, Richard Kelly, is in the fifth year of his term and will be required to rotate. A new lead audit engagement partner, Bano Sheikh, has been appointed and will shadow Mr Kelly on the external audit for year ending 31 March 2022.

Audit and non-audit fees

Fees payable to the External Auditor for audit and non-audit services are set out in note 2 on page 212. This year, the non-audit services performed by KPMG included the review of the Group's half-year results and Green Bond use of proceeds assurance.

AUDIT AND NON-AUDIT FEES



Audit quality

An important part of the Committee's work consists of overseeing the relationship with, and performance of, the External Auditor, in particular with regards to the independence, quality, rigour and challenge of the external audit process. The Committee reviews the effectiveness of the audit throughout the year taking into account:

- the detailed audit strategy for the year and coverage of any risks, scope, and level of fees for the audit
- the quality, knowledge and expertise of the engagement team
- insight around the key accounting and audit judgements
- the quality of reporting and discussions at the Audit Committee meetings
- the outcome of the review of effectiveness of the External Auditor and audit process discussed below

Annually, the Committee will also assess the qualifications, expertise, resources and independence of the Group's External Auditor, as well as the effectiveness of the audit process through discussion with the Chief Financial Officer and Group Financial Controller. The Chair of the Committee also meets with the KPMG partner.

As part of the effectiveness review, a questionnaire was issued, following the March 2021 year end, to Committee members, as well as regular attendees of the Committee and those involved in the external audit process. Views were also sought from key members of the Finance team and senior management also involved in the external audit process.

Questions were posed around the:

- Effectiveness of the external audit process, the quality and scope of the audit plan, advising, on a timely basis, about any new developments regarding risk management, corporate governance, financial accounting and related risks
- Delivery and execution of the agreed external audit process for the 2020/21 financial year
- Efficiency and performance of the audit team as well as relevant and qualified specialists involved in the audit process and that there is sufficient continuity of staff during the audit process
- Communication and engagement between the senior management team, the Finance team, KPMG and the Committee.
- Increased contact with the audit team outside of the audit

The Committee discussed a summary of the key findings and results at its meeting in November 2021 and no significant concerns were identified.

The Committee's relationship with the External Auditor is one of openness and professionalism, and the results of the review were discussed with KPMG to monitor the continuing quality of audit services.

From its discussions during the year, the challenges presented to the auditors and a review of the reporting received, the Committee considers that the auditor provides appropriate professional challenge and reports its findings in an open and direct manner. The Committee remains satisfied:

- With the effectiveness of the external audit and the interaction between the auditors and the Committee
- As to the External Auditor's qualifications, expertise and resources

Audit independence and objectivity

Furthermore, as part of its deliberations, the Committee reviews a report on the audit firm's own internal quality control procedures together with the policies and processes for maintaining independence and monitoring compliance with relevant requirements.

KPMG LLP have confirmed to the Committee that:

- The audit of the consolidated financial statements is undertaken in accordance with the UK firm's internal policies and procedures
- They have internal procedures in place to identify any aspects of non-audit work which could compromise its role as auditor and to ensure the objectivity of their audit report
- They believe that, in their professional judgement, the safeguards they have in place sufficiently guard against the threats to independence
- The total fees paid by the Group during the year do not represent a material part of the firm's fee income
- They consider that they have maintained audit independence throughout the year

The Committee is satisfied that the External Auditor is independent.

The Audit Committee will continue to review the effectiveness and independence of the External Auditor each year.

The Group complies with the Competition and Markets Authority Order 2014 relating to audit tendering and the provision of non-audit services, and it is the Group's intention to put the audit out to tender at least every ten years. The external audit was last tendered in 2017 following which the External Auditor changed from PricewaterhouseCoopers LLP (PwC) to KPMG and there are no current plans to re-tender the services of the External Auditor.

There are no contractual obligations which restrict the Committee's choice of external auditor or which put in place a minimum period for their tenure.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
AUDIT COMMITTEE REPORT CONTINUED

Safeguarding auditor independence

NON-AUDIT SERVICES
As required by the Code, the Audit Committee has a formal policy governing the engagement of our External Auditor, KPMG, to supply non-audit services and to assess the threats of self-review, self-interest, advocacy, familiarity and management. KPMG has discontinued the provision of all non-audit services (other than those closely related to the audit) to all FTSE 350 companies, meaning non-audit services will be confined to a more limited scope of work than that defined by the Audit Committee's Terms of Reference.

During the year, KPMG were asked to provide additional services in the form of assurance over the allocation of proceeds from the green bond.

MANAGEMENT – MANAGEMENT THREAT
This occurs when the audit firm performs non-audit services and management make judgements based on that work.
- The Group does not use the External Auditor for any services which would be considered management responsibility

FAMILIARITY – A FAMILIARITY THREAT
This is where, due to a long or too close a relationship, the External Auditor's independence is affected.
- The Audit Committee prohibits the hiring of former employees of the External Auditor associated with the Group's audit into management roles with significant influence within the Group within two years following their association with the audit, unless the Chair of the Audit Committee gives prior consent. Annually, the Audit Committee will be advised of any new hires that fall under this policy. There have been no instances of this occurring to date
- The Audit Committee monitors on an ongoing basis the relationship with the External Auditor, to check its continuing independence, objectivity and effectiveness by reviewing its tenure, quality and fees

SELF-REVIEW – A SELF-REVIEW THREAT
This is where, in providing a service, the external audit team could potentially evaluate the results of a previous service provided by the external audit firm.
- The Group does not use the External Auditor for any services which would involve self-review of their own work

SELF-INTEREST – A SELF-INTEREST THREAT
Where a financial or other interest (of an individual or the external audit firm) could inappropriately influence an individual's judgement or behaviour. The Audit Committee specifically performs the following:
- If the External Auditor is to be considered for the provision of non-audit services, the scope of work and fees must be approved in advance by the Chief Financial Officer, the Company Secretary and the Chair of the Audit Committee. For larger assignments, in excess of £100,000, this would involve a competitive tender process, unless there are compelling commercial or timescale reasons to use the External Auditor or another specific accountancy firm
- The Committee shall review and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor. Such policy shall specify the circumstances in which prior approval of non-audit services by the Committee is required and specify any internal processes that must be followed
- It will not accept significant contingent fee arrangements with the External Auditor

ADVOCACY – AN ADVOCACY THREAT
This is where the external audit firm or its personnel promote an audit client's position to the extent where the External Auditor's objectivity is compromised.
- The Group does not use the External Auditor in an advocacy role

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
AUDIT COMMITTEE REPORT CONTINUED

Fair, balanced and understandable reporting

On behalf of the Board, the Committee has considered whether, in its opinion, this Annual Report and Accounts, taken as a whole, is fair balanced and understandable and whether it provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

THE FOLLOWING PROCESS WAS FOLLOWED BY THE COMMITTEE IN MAKING ITS ASSESSMENT

1. The Committee reviewed the Annual Report at an early stage, and throughout the process, to enable sufficient time for comment and review and to check overall balance and consistency.

2. The Committee discussed a report from the CFO and Group Financial Controller covering the financial statements within the Annual Report and Accounts:
   - this highlighted the significant changes and areas of focus in the financial statements and
   - commented on any new accounting standards in the period

3. A fair balanced and understandable assessment was prepared by the management team and circulated to the Audit Committee. This highlighted pre-conditions and factors which support the activities of the Audit Committee.

4. The External Auditor presented the results of its audit work to the Audit Committee.

5. The Board approved the Committee's recommendation that the fair, balanced and understandable statement could be made, which can be found in the Directors' Responsibility Statement on page 195 of this report.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
AUDIT COMMITTEE REPORT CONTINUED

Significant matters considered by the Committee

MATTER CONSIDERED:	ACTION TAKEN BY THE COMMITTEE
VALUATION OF THE INVESTMENT PROPERTY PORTFOLIO	The valuation of the investment property portfolio is inherently subjective, requiring significant judgement. The outcome is significant for the Group in terms of its investment decisions, results and remuneration, and is a major component of Total Property Return, one of our KPIs. Therefore, this matter is considered by both the Board and Audit Committee. The valuation is conducted externally by independent valuers, CBRE, one of the world's largest commercial real estate services firms. CBRE presented the year-end valuation to the Audit Committee, who reviewed the methodology and outcomes of the valuation, challenging the key assumptions and judgements and gave particular focus to any alternative procedures undertaken in light of Covid-19. They also considered the objectivity and independence of the valuers. KPMG met with the valuers and presented their views on the valuation to the Committee, as well as an explanation of how the valuation is audited. The Committee considered that it was satisfied that the methodology, assumptions and judgements used by the valuers were appropriate, and that the valuations were suitable for inclusion in the financial statements.

The Audit Committee considers all financial information published in the full and interim financial statements and considers accounting policies adopted by the Group, presentation and disclosure of the financial information and, in particular, challenging the key judgements made by management in preparing the financial statements.

The Audit Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results, or the level of complexity, judgement or estimation involved in their application on the consolidated financial statements. The main areas of focus during the year are set out to the left.

In addition, the Audit Committee reviewed a number of other key matters which have been considered by management and discussed with KPMG, including the uncertainty relating to collection of trade receivables. Further information can be found in the section on principal risks and uncertainties on pages 59 to 66.

Portfolio valuation

Our property portfolio is independently valued twice annually by our external valuers, CBRE Limited.

Our properties are critical to our business and the valuation demonstrates the value that we are delivering to our shareholders. It is a measure of how well we are managing our buildings and driving rental income. Furthermore, the valuation is a significant part of both our net asset value and Total Property Return, which are both key performance indicators.

Given its significance, both management and the Committee monitor the objectivity and independence of the valuers, and review the methodology and outcomes of the valuation, challenging the key assumptions and judgements.

A number of meetings are held between key management and CBRE ahead of the valuation at which the inputs and methodology of the valuation are discussed. Key discussions include:

- London commercial property market: current trends and circumstances expected to affect the market are discussed
- Comparable market evidence: recent transactions are considered and compared to assumptions made in valuing our portfolio
- Development projects: we provide CBRE with any updates to ongoing or future schemes and discuss the assumptions CBRE have made, particularly for more complex schemes where more significant levels of judgement are required
- Estimated rental values: the estimated rental values proposed by CBRE are discussed and reviewed, with management ensuring that these are in line with our recent rental activity
- Property information: we provide CBRE with information on any changes to properties that may affect the valuation
- Other inputs used by the valuers are reviewed and discussed

The valuation is presented to the Audit Committee, who review the outcomes and challenge the methodology and assumptions.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
AUDIT COMMITTEE REPORT CONTINUED

Developing a robust Viability Statement

As part of the continued development of the Group's Viability Statement, existing processes were strengthened so that risks were identified, understood and reassessed over the period. The following factors were considered:

- The Group's current financial and operational position and the current economic outlook
- The Group's cash flows, financing headroom and financial ratios
- Reassessment of key risks and their potential impact on the business model

THE PROCESS WE UNDERTOOK WAS AS FOLLOWS

STAGE 1: RISK IDENTIFICATION	STAGE 2: RISK ASSESSMENT	STAGE 3: SCENARIO SENSITIVITY ANALYSIS	STAGE 4: CONCLUSIONS
RESPONSIBILITY	RESPONSIBILITY	RESPONSIBILITY	RESPONSIBILITY
			THE BOARD
			AUDIT COMMITTEE
EXECUTIVE COMMITTEE	EXECUTIVE COMMITTEE	EXECUTIVE COMMITTEE	EXECUTIVE COMMITTEE
RISK COMMITTEE[2]	RISK COMMITTEE[2]		
SENIOR MANAGEMENT[1]	SENIOR MANAGEMENT[1]	SENIOR MANAGEMENT[1]	SENIOR MANAGEMENT[1]
EXTERNAL AUDITOR			EXTERNAL AUDITOR
The strategic and operational risks were reviewed to identify the principal risks to viability over the period under consideration. The risks that would impact solvency and liquidity, either individually or in combination with other risks, were considered.	For each risk, the following were considered: – Our risk appetite (the level of risk the Board is willing to take) – The controls in place to mitigate the risk – The quantum of risk	For those risks identified as being severe enough to impact the viability of the Group, sensitivity analysis was performed to understand the potential impact on liquidity and financial ratios.	The Audit Committee considered the findings from this analysis and presented it to the Board, which was given the opportunity to question the process and findings.

1. Heads of Department.
2. Read about the work of the Risk Committee on pages 155 to 161.

OUR VIABILITY STATEMENT

See page 76

OUR GOING CONCERN STATEMENT

See page 76

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
AUDIT COMMITTEE REPORT CONTINUED

DEVELOPING A ROBUST VIABILITY STATEMENT CONTINUED

Risk management and internal control

During the year, the Board Risk Committee reviewed the effectiveness of risk management throughout the organisation, it advised the Board on risk appetite, tolerance and strategy, and provided recommendations to the Board on the Group's approach to risk management and the effectiveness of the internal control environment (except for financial controls).

Further details of the work of the Risk Committee can be found on page 158.

The Audit Committee has reviewed the Group's system of financial controls during the year with no significant failings or weaknesses identified. However, any such system can only provide reasonable and not absolute assurance against any material misstatement or loss.

As noted in the Chair's letter on page 146, with effect from April 2022 the Risk Committee will be disbanded and certain of its responsibilities will be taken over by the Audit Committee.

Key elements of the Group's system of internal financial controls include:

- A comprehensive system of financial reporting
- An organisational and management Board structure with clearly defined levels of authority and division of responsibilities
- An agreed and defined framework of risk, assurance and key performance indicators measuring performance
- A self-certification programme whereby control owners annually certify whether controls are operating effectively

During the year, the Audit Committee continued to consider the effects of Covid-19, including managing the safety of customers, employees and other stakeholders in line with Government guidelines.

Internal audit

Due to its size, the Group does not have an internal audit function, a matter reviewed by the Audit Committee during the year. The Committee has advised the Board that, currently, it considers there to be no need for an internal audit function. During the year, the Group appointed a Head of Security and Risk Management whose responsibilities include maintenance of our risk management and control processes.

To supplement reviews of risk management and internal control, a programme of operational, facilities management and health and safety reviews are undertaken across our properties by qualified senior head office personnel. Any significant findings will then be reported to the Audit Committee. Further to this, all key controls are recorded on a central register and control owners are required to certify the effectiveness of controls for which they are responsible and provide details of further actions to address any identified ineffectiveness. No significant issues were identified during the year.

WHISTLEBLOWING POLICY

See page 80

AUDIT, RISK AND INTERNAL CONTROL

Risk Committee Report

We have continued to embed our updated risk management framework and strengthen the Group’s risk management approach.

Damon Russell
Chair of the Risk Committee

QUICK LINKS

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
RISK COMMITTEE REPORT CONTINUED

Membership and attendance at Risk Committee meetings

The Committee comprises Non-Executive Directors and is chaired by Damon Russell. Details of individual attendance at the meetings held during the year are set out below. More information on the skills and experience of all Committee members can be found on pages 102 to 105.

	MEMBER SINCE	MEETINGS ATTENDED
Damon Russell	2020	3/3
Rosie Shapland	2020	3/3
Lesley-Ann Nash	2021	3/3
Chris Girling[1]	2020	3/3

1. Chris Girling stepped down from the Board on 7 February 2022.
2. The Company's Head of Legal & Assistant Company Secretary acts as the Secretary to the Committee and attends all meetings.

Key topics considered by the Committee during the year

RISK APPETITE, TOLERANCE AND STRATEGY

- Reviewed the effectiveness of the Company's control environment, including a review of the Company's process for self-certification of controls
- Reviewed and discussed summary reports on the Company's operational risks
- Reviewed and discussed an update from the Group's Head of Technology on the Group's business continuity plan and cyber security

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

- Considered and discussed risks to the Group of the Covid-19 pandemic and the actions the Group was taking in response. See page 59 for further details of the Group's response to Covid-19 during the year
- Considered and discussed an update from the Group's Investment Director on risks and controls relating to acquisitions of new properties, including risks relating to pricing of acquisitions
- Considered and discussed an update from the Group's Credit Manager on the risk of payment default and the Group's associated controls
- Considered and discussed an update from the Group's Director of People & Culture and Head of People on risks and controls relating to people and resourcing
- Discussed at each meeting whether there were any significant new and emerging risks to be considered

GOVERNANCE

- Reviewed draft section of the 2021 Annual Report, including the 2021 principal risks and uncertainties section and the draft 2021 Risk Committee Report
- Discussed the link between the Company's principal risks and its viability
- Reviewed the Group's Anti-Bribery Policy and procedures. See page 79 for further details on the Company's Anti-Bribery Policy
- Reviewed the Committee's Terms of Reference

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
RISK COMMITTEE REPORT CONTINUED

Risk Committee Chairman's Letter

> **The Risk Committee has served the Company well as it has progressed with embedding its updated risk management framework.**

7 June 2022

Dear Shareholder

I am pleased to present our Risk Committee Report for the financial year ended 31 March 2022.

This Risk Committee Report details the key activities and responsibilities of the Committee during the year under review. This year, we have continued to embed our risk management framework and strengthen the Group's approach to risk management.

During the year, Chris Girling stepped down from the Board and, consequently, from the Committee. I would like to take this opportunity to thank Chris for his valuable contributions to the Committee during his membership.

Principal risks
The Group's principal risks were reviewed in March 2022. See pages 59 to 66 for further details on the Group's principal risks and uncertainties.

Key risk activities
During the year the Committee has conducted deep dives on certain of the Group's principal risks and reviewed the effectiveness of the Group's overall controls framework. Further information on the Committee and the Group's risk management activities can be found throughout this report.

As part of our continued strengthening of our risk management, during the year the Group appointed a Head of Security and Risk Management whose responsibilities include developing and maintaining our risk management and control framework, assessing existing and emerging risks and engaging with risk owners to build understanding of risk throughout the business and identify any gaps in controls.

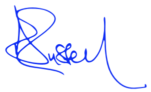
Board Committee review
The Committee's effectiveness was subject to review as part of the internal Board evaluation conducted during March 2022. The review confirmed that the Committee has been operating effectively.

Following this year's Board evaluation and further Board discussions, the Board has decided to make some changes to the structure of its Committees.

The Risk Committee was formed in September 2020 as the Company began implementation of an updated risk management framework, and the dedicated Risk Committee has served the Company well as it has progressed with embedding that framework. Now that implementation of the framework has been significantly progressed, it is considered that the responsibilities of the Risk Committee can be effectively dealt with by the Audit Committee and directly by the Board. It has therefore been decided to integrate certain activities of the Risk Committee into the Audit Committee with the Board retaining overall responsibility for risk management, in particular for risks relating to valuation, real estate and development. These changes came into effect on 21 April 2022.

Updated risk management framework
Following the decision above, we have updated our risk management framework. See page 160 for details of our updated framework.

I hope you find this report informative and can take comfort from the work undertaken by the Committee during the year. It has been a privilege to chair the Risk Committee through this important evolution in the Company's risk management.



Damon Russell
Chairman of the Risk Committee
7 June 2022

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
RISK COMMITTEE REPORT CONTINUED

The role of the Risk Committee

The Risk Committee oversees the effectiveness of risk management throughout the organisation, advises the Board on risk appetite, tolerance and strategy, and provides recommendations to the Board on the Group's approach to risk management and the effectiveness of the internal control environment.

The Committee's Terms of Reference are available on www.workspace.co.uk/investors/about-us/governance/committee-terms-of-reference and they will be updated, as required, to reflect any changes in best practice.

How the Committee operates

During the year under review, the Committee met on three occasions, in April 2021, July 2021 and September 2021.

A forward plan of agenda items informs the business to be considered at each meeting and is regularly reviewed and developed. This assists and facilitates the work of the Committee, enabling it to give thorough consideration to matters of particular importance to the Group. The Committee receives information in advance of its meetings, including information from management. The Committee may, at its discretion, invite other people to attend its meetings. Those people and advisers listed in the table below attended meetings during the year at the request of the Committee Chairman.

ATTENDEE	POSITION
DAVE BENSON	Chief Financial Officer
ANDY DODSON	Group Financial Controller
VIVIENNE FRANKHAM	Head of Finance
RICHARD SWAYNE	Investment Director
CLAIRE DRACUP	Director of People and Culture
BEN SAUNDERS	Head of People
TOM GRIFFIN	Credit Manager
CHRIS BOULTWOOD	Head of Technology

Meetings of the Committee are held in advance of the Board meetings to allow the Committee Chairman to provide a report of the key matters discussed, to the Board, and for the Board to consider any recommendations made.

The Audit Committee remains responsible for oversight of financial risks and controls. All members of the Risk Committee were also members of the Company's Audit Committee, enabling key information or recommendations to be easily shared between the Committees. All of the above, along with ongoing challenge, debate and engagement, allows the Committee to discharge its responsibilities effectively.

Risk Committee responsibilities

Risk appetite, tolerance and strategy

- Advise the Board on the Group's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Company is willing to take in order to achieve its long-term strategic objectives. See page 156 for details of how the Committee has considered risk appetite and strategy during the year
- Advise the Board on the likelihood and impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact. See pages 59 to 66 for information on the Committee's consideration of principal risks

Internal controls and risk management processes

- Review the adequacy and effectiveness of the Group's overall risk assessment processes that inform the Board's decision-making, including the design, implementation and effectiveness of those processes
- Review the effectiveness of the Group's internal controls (with the exception of the internal financial controls which remain the responsibility of the Audit Committee) and risk management systems
- Review whistleblowing arrangements whereby employees may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, to receive assurance that there are proportionate and independent procedures in place. See page 80 for more information on our Whistleblowing Policy
- Review the Group's procedures for preventing and/or detecting fraud
- Review the Group's procedures for the prevention and detection of bribery and monitor the reports generated by such procedures. See page 79 for more information on our Anti-Bribery Policy

Governance, best practice and development

- Keeping up to date with external developments relating to control environments
- Keeping up to date with regulatory and legislative matters relevant to the Group
- Consider ESG matters in all decision making

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
RISK COMMITTEE REPORT CONTINUED

THE ROLE OF THE RISK COMMITTEE CONTINUED

Risk management and internal controls

The Committee, on behalf of the Board, keeps under review the effectiveness of the Group's risk management and internal control systems through management updates and output from the Group's Risk Management Group to ensure that controls in place are effective. This framework is designed to manage rather than eliminate business risks and provide reasonable assurance against material misstatement.

The Board has defined its risk appetite for strategic and operational risks. A standard methodology for risk assessment is applied across the Group to assist with monitoring inherent and residual risk and comparing residual risk against target risk. As required by the Code, the Board, through the Risk Committee, has carried out a robust assessment of the principal and emerging risks facing the Group, including those that could threaten its business model, future performance, solvency or liquidity. This is more fully described in the Strategic Report on pages 59 to 66.

As set out on page 157, following a review of the Board's Committees, it has been decided to integrate certain activities of the Risk Committee into the Audit Committee and directly by the Board. These changes came into effect in April 2022.

The Group had the following key procedures and monitoring processes in place during the year to provide effective internal control:

- an ongoing process to identify, evaluate and manage risks, including the self-certification of controls by risk owners, which is monitored and regularly reviewed by the Risk Management Group and executive team. Significant issues are presented to the Board and Risk Committee
- the Group's key controls include appropriate segregation of duties that are embedded across the organisation
- on behalf of the Board, the Risk Committee reviews fraud and anti-bribery policies and procedures; annual anti-bribery training is in place for all employees and there have been no reported instances of whistleblowing or bribery or corruption during the period under review
- the Group has in place a system for planning, reporting and reviewing financial performance, including performance against strategy and its business plan
- in April 2022, the Board formed an ESG Committee which reviews the Group's environmental and social related risks
- the Risk Committee reviews technology risks including IT systems and cyber risk, to ensure that the Group's IT function effectively implements preventative and detective controls to monitor and mitigate risk
- as in previous years, financial controls are monitored by the Audit Committee

On the basis of the above processes and having regard to the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued by the FRC in September 2014, the Board, supported by the Risk and Audit Committees, has reviewed the effectiveness of the risk management and internal control systems. No significant control failings or weaknesses were identified during the period under review.

The Directors confirm that the processes described above have been in place during the 2022 financial year and up to the date of approval of the Annual Report and Accounts.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
RISK COMMITTEE REPORT CONTINUED

Our updated risk management framework

Following this year's Board evaluation, with effect from 21 April 2022, the activities of the Risk Committee will be integrated into the Audit Committee, with the Board retaining overall responsibility for risk management, and in particular for risks relating to valuation, development and real estate. This updated risk management framework reflects the new structure from 21 April 2022.

Board of Directors

- Sets the Group's overall risk appetite, tolerance and strategy
- Oversees the Group's principal risks, including property valuation, development and real estate risks
- Receives advice and recommendations from the Audit Committee and Executive Committee

AUDIT COMMITTEE

- Oversees the risk management framework
- Advises the Board on risk appetite, tolerance and strategy
- Oversees all risks except risks related to property valuation, development and real estate which are overseen by the Board

EXECUTIVE COMMITTEE

- Oversees and manages the Group's day-to-day risk management procedures
- Reports to the Board and Audit Committee on the operation and effectiveness of controls

RISK MANAGEMENT GROUP

- Responsible for the implementation and embedding of risk management activities
- Reviews and challenges the risk information provided by Risk Owners
- Reports to the Executive Committee, although the Audit Committee has the power to request attendance or reports from the Risk Management Group directly if it is felt this is necessary

RISK OWNERS

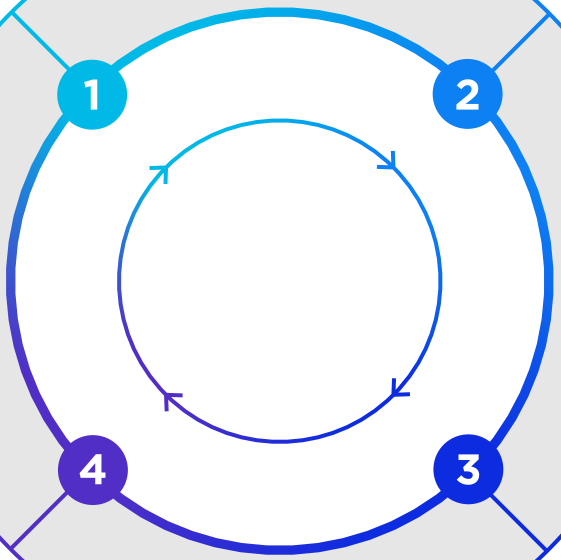
- Each risk identified by the Group is assigned a Risk Owner
- Risk Owners are responsible for monitoring, managing and reporting on their risks, as well as identifying any emerging risks

AUDIT, RISK AND INTERNAL CONTROL CONTINUED
RISK COMMITTEE REPORT CONTINUED

Our risk process

1. RISK IDENTIFICATION
- Risks are identified when projects are being considered or through being raised organically by members of staff
- Identified risks are captured in Risk Registers
- A Risk Owner is assigned to each risk and has responsibility for assessing and monitoring that risk

2. RISK ASSESSMENT
- Each risk is assessed and scored according to the potential impact and likelihood of it materialising
- Each risk is given an Inherent Risk Score (pre-controls) and a Residual Risk Score (post-existing controls)
- Each risk is also assigned a Target Risk Score representing the Group's risk tolerance for that risk



4. RISK MONITORING AND REPORTING
- Risks are regularly monitored by the Risk Owners
- Control owners regularly certify that their controls continue to operate effectively
- The Risk Management Group oversees this activity and escalates significant changes and new risks to the Executive Committee, Audit Committee and/or Board as appropriate

3. RISK RESPONSE
- Each Residual Risk Score is compared to its Target Risk Score
- If the Residual Risk Score is higher than the Target Risk Score, action is taken to reduce it towards the target
- Controls are assigned an owner who is responsible for monitoring whether the controls operate effectively

INTERNAL AUDIT
Due to its size, the Group does not have an internal audit function, a matter which is kept under review by the Audit Committee. However, the Executive Committee mandates a programme of operational, facilities management and health and safety internal audits at its properties, carried out by qualified senior head office personnel on a rotational basis. Any significant findings are reported to the Audit Committee.

OUR PRINCIPAL RISKS
For information on the Group's principal risks

Pages 59 to 66

REMUNERATION

We incentivise our people through remuneration aligned with our strategic priorities. As sustainability in respect of all of our stakeholders becomes more embedded in our purpose, business and strategy, our remuneration approach is evolving accordingly.

Lesley-Ann Nash
Chair of the Remuneration Committee

QUICK LINKS

REMUNERATION CONTINUED

Membership and attendance at Remuneration Committee meetings

The Committee consists of Non-Executive Directors and is chaired by Lesley-Ann Nash. Details of individual attendance at the meetings held during the year are set out below. More information on the skills and experience of all Committee members can be found on pages 102 to 105.

	MEMBER SINCE	MEETINGS ATTENDED
Lesley-Ann Nash	2021	8/8
Stephen Hubbard	2014	8/8
Rosie Shapland	2020	8/8

Suzi Williams, the previous Chair of the Committee, stepped down as a Non-Executive Director on 10 September 2021 and attended 5 Meetings up to this point.

SUPPORT FOR THE COMMITTEE

During the year, we sought external support from PwC and internal support from the CEO, whose attendance at Committee meetings was by invitation from the Chair, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the senior management team. The Company Secretary attended each meeting as Secretary to the Committee. No Director was present for any discussions that related directly to their own remuneration.

Key topics considered by the Committee during the year

COMMITTEE GOVERNANCE

- Received an update on current executive pay environment
- Considered the incentive operating guidelines for Executive Board Directors
- Received the results of the internal performance evaluation of the Remuneration Committee
- Agreed updates to Committee Terms of Reference
- Approved the Directors' Remuneration Report
- Reviewed the operation of the Remuneration Policy
- Received an update on Investment Association principles and other investor body guidelines

REMUNERATION FRAMEWORK FOR EMPLOYEES

- Received an update on TSR performance for 2019, 2020 and 2021 LTIP awards
- Review of wider workforce remuneration arrangements and employment conditions throughout the Company to ensure that they support the Company's purpose
- Received an update from Stephen Hubbard, as the designated Non-Executive Director for employee engagement, who, during the year, talked with a wide range of employees to listen to their views on a wide range of matters including executive remuneration

COMMITTEE PERFORMANCE EVALUATION

- The external evaluation of the Board and its Committees was concluded in March 2022. Further details can be found on page 140. No significant issues were identified

EXECUTIVE AND SENIOR MANAGEMENT REMUNERATION FRAMEWORK

- Shareholding guidelines for Executive Board Directors
- Executive Directors' remuneration review
- Annual bonus outcomes for 2020/21
- Setting of performance metrics and targets for 2021/22
- Reviewed the vesting criteria for 2018 LTIP
- Proposed awards under the 2021 Long-Term Incentive Plan
- Monitoring and assessing targets for 2021/22

WORKSPACE'S KEY REMUNERATION PRINCIPLES

- Alignment with our strategy and purpose
- A focus on performance
- Transparency and simplicity for the benefit of all our stakeholders; and
- Consistency of application

REMUNERATION CONTINUED

Remuneration Committee Chair's Letter

We incentivise our people through our competitive remuneration package which is aligned with the experience of all of our stakeholders.

7 June 2022

Dear Shareholder

On behalf of the Board, I am pleased to present our 2022 Remuneration Report, my first as Chair of the Remuneration Committee.

The Committee exercises independent judgement to ensure that an easily understandable remuneration policy is aligned to our purpose which creates long term sustainable value for all our stakeholders.

The report is split into:
- Remuneration at a glance, including both our Executive pay and cascade of pay through the organisation – pages 166 to 170
- A summary of the key elements of the Remuneration Policy for Executive Directors approved by Shareholders at our 2020 AGM – pages 171 to 174
- Our Annual report on executive remuneration – pages 175 to 190

We were pleased that our Remuneration Policy was approved at the 2020 AGM with 99.5% of votes in favour and that our 2021 report received 98.9% of votes in favour. I believe this strong support reflects shareholder confidence in our balanced approach to executive remuneration. This year's report sets out how the Committee operated the approved Policy over 2021/22, in the context of business recovery and growth, as well as how we intend to operate it over 2022/23. This includes newly proposed measures in regard to the annual bonus with an increased focus on sustainability and the impact across all of our stakeholders. At all times the Committee was, and continues to be, guided by its key principles which are detailed on page 163.

Business outcomes
Workspace made strong progress against its strategic priorities and key performance indicators over 2021/22. The strength of the Company's recovery following the challenges of the prior year has been fuelled by continued strong demand for our unique and flexible offering, which has proved an increasingly attractive option for London businesses as ways of working have evolved in the wake of the pandemic.

Customer activity, measured through enquiries, viewings and lettings have returned to pre-Covid levels, while like-for-like occupancy has also bounced back. Both rental income and customer utilisation of our centres continue to increase. Even with the work from home guidance still in place in December and January, Workspace saw strong customer demand as businesses looked beyond the short-term uncertainty to secure the right space for their businesses over the longer term.

Remuneration outcomes in 2021/22
It is important that the experience of broader stakeholders is appropriately reflected in the remuneration outcomes of our Executive Directors. The incentive outcomes for 2021/22 reflect a healthy recovery and a step up in dividend.

After very careful consideration, and taking into account all relevant factors as described and detailed throughout this annual report, the Committee took the following decisions in respect of remuneration for the Executive Directors:

- Base Salary
Executive Directors will receive a basic salary increase of 3%, which is in line with the level awarded to the wider workforce, and this will take effect on 1 April 2022. The Committee also agreed with recommendations made by the CEO to correct pay differentials in some parts of the Company.

- Annual Bonus 2021/22
The focus of the Executive team over the past year has been to support our customers return to the office, seek to increase like-for-like occupancy back to 90% and drive trading profit growth. We are delighted that these targets have been achieved, reflecting the extraordinary leadership and achievements of the Workspace team. The year saw a significant increase in trading profit, up 21% to £46.9m, driven by an increase in net rental income to £86.7m. This has given us the flexibility to increase dividends per share by 21%.

The formulaic outcome under the bonus was 83% of maximum, (99.6% of salary). The Remuneration Committee considered that the bonus outturn was fair and reasonable relative to the strong financial performance of the business. This equates to £501,984 for Graham Clemett and £345,412 for Dave Benson.

Of the bonus award, 33% will be deferred in shares for three years under the Deferred Bonus Plan.

- Vesting of 2019 Long Term Incentive Plan
The LTIP award granted to Graham Clemett in 2019 was subject to performance conditions measured over the three financial years from 1 April 2019 to 31 March 2022. The vesting of 50% of this award was subject to Total Shareholder Return (TSR) performance relative to FTSE 350 real estate companies, with the remaining 50% subject to Total Property Return (TPR) versus IPD Benchmark.

Having tested the performance conditions, none of the 2019 LTIP will vest.

REMUNERATION CONTINUED

REMUNERATION COMMITTEE CHAIR'S LETTER CONTINUED

> **With occupancy recovering, customer demand strong and pricing improving we are well placed to motivate our Executive to drive our trading performance and capitalise on growth opportunities to deliver superior returns to shareholders.**

Proposed implementation of policy for 2022/23

Workspace continues to evolve as a business and in this context the Committee reviews Workspace's approach to remuneration annually, both for the senior leadership team and for the wider organisation. Workspace continues to commit to ensuring the link between purpose and shareholder experience with executive remuneration, and we will utilise the policy renewal in 2023 to introduce appropriate changes to further enforce this.

- Annual Bonus 2022/23

Ahead of the policy renewal in 2023, we believe there is an opportunity to better align our annual bonus with our strategic priorities, particularly ensuring a greater focus on sustainability. Following careful consideration, we propose that for the 2022/23 annual bonus, the Total Property Return measure (which remains as a measure in our LTIP) be replaced with a range of sustainability objectives, and the Business Objectives be replaced with strategic financial and operational efficiency objectives. The profit and customer satisfaction metrics will be unchanged. The annual bonus will therefore be based on financial measures with maximum of 72% of salary (operating profit (60% of salary) and strategic financial measures (12% of salary)), sustainability at 24% of salary and operational efficiency objectives at 12% of salary. This is illustrated further on page 167.

Targets for the annual bonus are set at the beginning of the year and will be disclosed in full at the end of the performance year. See pages 172 and 185 for further details.

- 2022 LTIP

For our 2022 LTIP award, due to be granted in June, the Committee has decided it is appropriate to retain the same performance conditions at 50% Total Shareholder Return and 50% Total Property Return. As with previous awards, a performance underpin applies to this award which allows the committee to reduce vesting if performance is inconsistent with the overall performance of the business, individual performance or other considerations. The Remuneration Committee considered the level of award under the LTIP and determined that it was appropriate to grant awards of 200% of salary in line with our policy. The Committee may exercise discretion to adjust vesting levels of this award if there is a significant disparity between the vesting outcome and the underlying performance of the business including where there is any gain deemed to be "windfall". Further details of the LTIP that will be granted in June can be found on page 186.

Engagement

The Committee is grateful for the feedback and support we receive from shareholders. We believe that regular engagement with our stakeholders is key to ensuring strong governance in line with our objectives. In line with this, as we approach the triennial review of our Remuneration Policy ahead of the 2023 AGM, we will continue to engage with our largest investors to ensure that our new Policy is fit for purpose, within the rapidly evolving remuneration landscape. This will include further emphasis on the importance of ensuring our Sustainability agenda is appropriately reflected in our incentives. Whilst the introduction of a sustainability metric in our annual bonus is a step in the right direction, we aim to include a more in-depth review of the inclusion of environmental, social and governance related factors across all executive incentives as part of our 2023 policy review.

Finally, I want to thank you for your ongoing support in the year and I hope you will join the Board in supporting our Directors' Remuneration Report at the upcoming 2022 AGM.

Lesley-Ann Nash
Chair of the Remuneration Committee
7 June 2022

REMUNERATION CONTINUED

Remuneration at a glance

Rewards at all levels

All staff in the Company are eligible to participate in the Company's annual bonus plan, all-employee share schemes, pension scheme, life assurance arrangements and medical insurance benefits.

All members of the Executive Committee and some senior staff are eligible to participate in the Company's LTIP. Executive Directors are also required to adhere to the Company's shareholding guidelines.

When making remuneration decisions for the Executive Directors, the Committee considers pay and employment conditions elsewhere in the Group. The Committee receives regular updates from the Executive Directors on employee feedback. The Committee also monitors bonus payout and share award data.

THE FOLLOWING TABLE DEMONSTRATES HOW WORKSPACE'S APPROACH TO REMUNERATION OPERATES AT ALL LEVELS WITHIN THE COMPANY.

RELEVANT ELEMENTS OF PAY	DETAILS	EXECUTIVE COMMITTEE	OTHER SENIOR EMPLOYEES	REST OF EMPLOYEES
Base salary	Salaries are set to reflect market value of the role and aid recruitment and retention.	✓	✓	✓
Pension	Employees are eligible for a 2:1 match on employee pension contributions of 3% or 5% of salary.	✓	✓	✓
Benefits	Employees receive a combination of benefits relevant for their role including life assurance arrangements and medical insurance benefits.	✓	✓	✓
Annual bonus	Opportunities and performance conditions are tailored to reflect an individual's role and responsibilities.	✓	✓	✓
Share ownership	Employees are able to participate in SAYE and SIP, and Executive Directors are also required to adhere to the Company's shareholding guidelines. This enables all employees to share in the long-term success of the group and aligns them with shareholder interests.	✓	✓	✓
LTIP	Reinforces strong performance culture at more senior levels and delivery of long-term sector outperformance.	✓	✓	
	NUMBER OF PEOPLE THIS APPLIES TO AS AT 31 MARCH 2022	9	39	195

REMUNERATION CONTINUED
REMUNERATION AT A GLANCE CONTINUED

How variable pay aligns to our strategic pillars

In executing our strategy we aim to create value and positive outcomes for our shareholders and all other stakeholders. We frequently consider the performance measures we use for our incentives to check that they support the delivery of our strategy.

DRIVING CUSTOMER-LED GROWTH

A FOUNDATION OF OPERATIONAL EXCELLENCE

BEING SUSTAINABLE

Our strategy, Page 32

Annual bonus

The component measures provide a good balance of rewarding against the three pillars of our strategy which are the foundations of Workspace's future growth. Some measures support some pillars more than others.

We have amended the measures for 2022/23, as we believe there is an opportunity to better align our annual bonus with our strategic priorities, particularly ensuring a greater focus on sustainability.

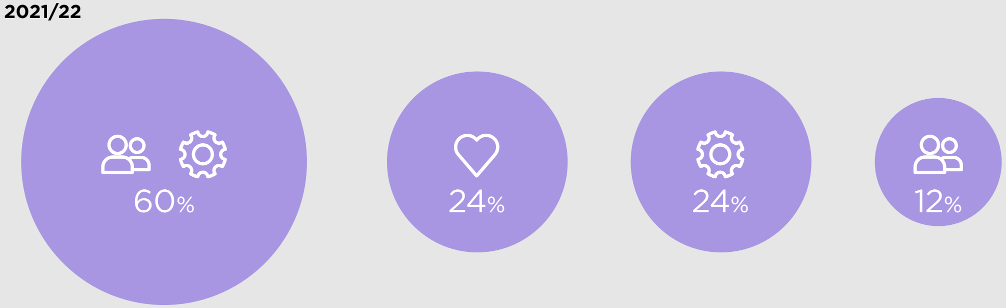
Measures shown as % of salary

TOTAL

120%

LINK TO STRATEGY

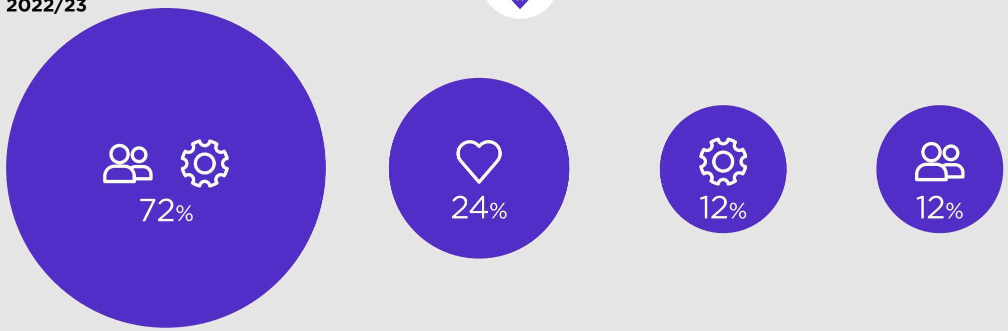
2021/22



TRADING PROFIT AFTER INTEREST | **BUSINESS OBJECTIVES** | **TOTAL PROPERTY RETURN (TPR) VERSUS IPD BENCHMARK** | **CUSTOMER SATISFACTION**

MORE DIRECT ALIGNMENT WITH OUR STRATEGIC PRIORITIES

2022/23



FINANCIAL OBJECTIVES (TRADING PROFIT AFTER INTEREST (60%), STRATEGIC FINANCIAL (12%)) | **SUSTAINABILITY** | **OPERATIONAL EFFICIENCY** | **CUSTOMER SATISFACTION**

LTIP

The balance of the two measures is well aligned to our strategy of driving income growth and enhancing shareholder value over the longer term.

Measures shown as % of award

TOTAL

100%

LINK TO STRATEGY

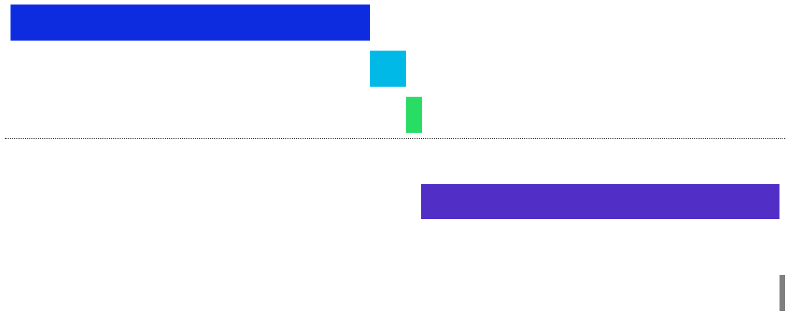
TOTAL SHAREHOLDER RETURN (TSR) RELATIVE TO FTSE 350 PROPERTY COMPANIES | **TOTAL PROPERTY RETURN (TPR) VERSUS IPD BENCHMARK**

REMUNERATION CONTINUED
REMUNERATION AT A GLANCE CONTINUED

Summary of Executive Directors' total remuneration

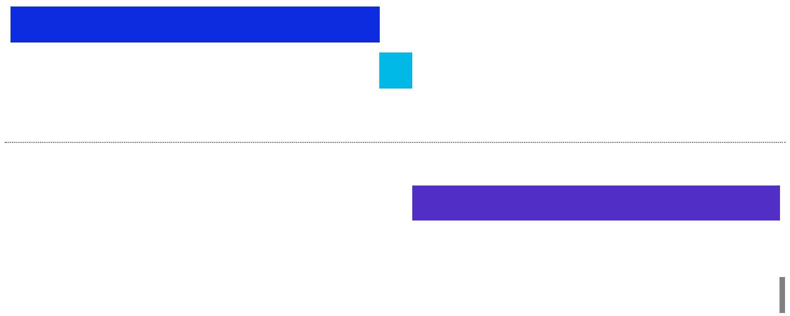
The illustrations to the right set out a single figure for the total remuneration received by each Executive Board Director for the year ended 31 March 2022 and the prior year.

Graham Clemett
CHIEF EXECUTIVE OFFICER



		2021/22 £000	2020/21 £000
FIXED PAY	BASE SALARY	504.0	494.0
	PENSION[1]	50.4	49.4
	BENEFITS[2]	21.6	21.4
	TOTAL FIXED	576.0	564.8
VARIABLE PAY	ANNUAL BONUS[3]	502.0	195.1
	LTIP	0	0
	OTHER – SAYE, SIP	2.0	4.5
	TOTAL VARIABLE	504.0	199.6
TOTAL		**1,080.0**	764.4
OF WHICH SHARE PRICE GROWTH		£0	£0

Dave Benson
CHIEF FINANCIAL OFFICER



		2021/22 £000	2020/21 £000
FIXED PAY	BASE SALARY	346.8	340.0
	PENSION[1]	30.8	18.0
	BENEFITS[2]	0	0
	TOTAL FIXED	377.6	358.0
VARIABLE PAY	ANNUAL BONUS[3]	345.4	134.3
	LTIP	NIL	NIL
	OTHER – SAYE, SIP	2.0	7.5
	TOTAL VARIABLE	347.4	141.8
TOTAL		**725.0**	499.8
OF WHICH SHARE PRICE GROWTH		£0	£0

1. Pension: During 2021/22 each of Messrs Clemett and Benson received a cash allowance in lieu of pension contribution.
2. Benefits: Taxable value of benefits received in the year by Executive Directors includes a car allowance, private health insurance and death in service cover.
3. Annual bonus: This is the total bonus earned in respect of performance during the relevant year. For 2020/21 and 2021/22, the Committee set a minimum deferral requirement of 33% of the bonus earned. For 2021/22, this deferral was equivalent to £165,654 for Mr Clemett and £113,985 for Mr Benson.

REMUNERATION CONTINUED
REMUNERATION AT A GLANCE CONTINUED

SUMMARY OF EXECUTIVE DIRECTORS' TOTAL REMUNERATION CONTINUED

Graham Clemett
CHIEF EXECUTIVE OFFICER

SINGLE FIGURE FOR 2021/22 £000 **£1,080.0**

FIXED COMPONENTS OF EXECUTIVE PAY

BASE SALARY

£504,000

PENSION

£50,400

BENEFITS

£21,614

VARIABLE COMPONENTS OF EXECUTIVE PAY

ANNUAL BONUS OUTCOMES UNDER THE 2021/22 ANNUAL BONUS

MEASURE	THRESHOLD (0% PAYABLE)	MAXIMUM (100% PAYABLE)	ACTUAL	FORMULAIC OUTCOME (% OF SALARY)	CEO ACTUAL £000
TRADING PROFIT AFTER INTEREST	£40.0M	£45.0M	ACTUAL: £45.3M*	60% / 60%	302.4
TOTAL PROPERTY RETURN	BENCHMARK	BENCHMARK +2%	ACTUAL: BENCHMARK +0.3%	3.6% / 24%	18.1
CUSTOMER SATISFACTION	72%	80%	ACTUAL: 86.4%	12% / 12%	60.5
BUSINESS OBJECTIVES	0%	MAX: 100%	ACTUAL: 100%	24% / 24%	121.0
BONUS OUTTURN				99.6% / 120%	**502.0**

*Adjusted for the impact of acquisitions.

LTIP OUTCOMES UNDER THE 2019 LTIP PERFORMANCE MEASURES OVER THE PERIOD 1 APRIL 2019 TO 31 MARCH 2022

MEASURE	THRESHOLD (20% PAYABLE)	MAXIMUM (100% PAYABLE)	ACTUAL	FORMULAIC OUTCOME (% OF AWARD)	CEO ACTUAL
TOTAL SHAREHOLDER RETURN (TSR) RELATIVE TO FTSE 350 PROPERTY COMPANIES	MEDIAN	UPPER QUARTILE	ACTUAL: 20TH PERCENTILE	0% / 50%	£0 OF WHICH SHARE PRICE: £Nil
TOTAL PROPERTY RETURN (TPR) VERSUS IPD	MEDIAN	UPPER QUARTILE	ACTUAL: 43RD PERCENTILE	0% / 50%	£0 DIVIDEND EQUIVALENT: £Nil
TOTAL				0% / 100%	**£0**

REMUNERATION CONTINUED
REMUNERATION AT A GLANCE CONTINUED

SUMMARY OF EXECUTIVE DIRECTORS' TOTAL REMUNERATION CONTINUED

Dave Benson
CHIEF FINANCIAL OFFICER

SINGLE FIGURE FOR 2021/22 £000

£725.0

FIXED COMPONENTS OF EXECUTIVE PAY

BASE SALARY

£346,800

PENSION

£30,751

BENEFITS

£0

VARIABLE COMPONENTS OF EXECUTIVE PAY

ANNUAL BONUS OUTCOMES UNDER THE 2021/22 ANNUAL BONUS

MEASURE	THRESHOLD (0% PAYABLE)	MAXIMUM (100% PAYABLE)	FORMULAIC OUTCOME (% OF SALARY)	CFO ACTUAL £000
TRADING PROFIT AFTER INTEREST	£40.0M	£45.0M ACTUAL: £45.3M*	60% / 60%	208.1
TOTAL PROPERTY RETURN	BENCHMARK	BENCHMARK +2% ACTUAL: BENCHMARK +0.3%	3.6% / 24%	12.5
CUSTOMER SATISFACTION	72%	80% ACTUAL: 86.4%	12% / 12%	41.6
BUSINESS OBJECTIVES	0%	MAX: 100% ACTUAL: 100%	24% / 24%	83.2
BONUS OUTTURN			99.6% / 120%	**345.4**

*Adjusted for the impact of acquisitions.

LTIP OUTCOMES UNDER THE 2019 LTIP PERFORMANCE MEASURES

Dave Benson was not employed at the time of the 2019 LTIP award

REMUNERATION CONTINUED

Our remuneration policy

In this section we provide a summary of the key elements of the Remuneration Policy for Executive Directors approved by shareholders at our 2020 AGM. In addition, we have set out how the Policy was operated in 2021/22 (which was as intended) and how it is intended to be operated in 2022/23.

You can find the full Policy at www.workspace.co.uk.

Remuneration policy table

The table below describes the Policy in relation to the components of remuneration for Executive Board Directors.

FIXED COMPONENTS OF EXECUTIVE PAY

Base salary

To reflect market value of the role and an individual's experience, performance and contribution.

OPERATION
Salaries are normally reviewed annually.
Salary levels take account of:
- Role, performance and experience
- Business performance and the external economic environment
- Salary levels for similar roles at relevant comparators
- Salary increases across the Group

OPPORTUNITY
Increases are applied in line with the outcome of the review. There is no prescribed maximum.

Increases for Executive Board Directors will typically be in line with those of the wider workforce.

OPERATION IN THE YEAR ENDED 31 MARCH 2022 (2021/22)

Graham Clemett (CEO)	**Dave Benson (CFO)**
£504,000	£346,800

OPERATION IN THE YEAR ENDING 31 MARCH 2023 (2022/23)

Graham Clemett (CEO)	**Dave Benson (CFO)**
£519,120 (effective from 1 April 2022)	£357,204 (effective from 1 April 2022)

Pension

To provide market-competitive pensions.

OPERATION
Directors participate in a defined contribution pension scheme or may receive a cash allowance in lieu of pension contribution.

OPPORTUNITY
Up to 10% of salary.

For individuals with less than a year's service with Workspace, this will be 6% of salary.

OPERATION IN THE YEAR ENDED 31 MARCH 2022 (2021/22)

Graham Clemett (CEO)	**Dave Benson (CFO)**
10% of salary	10% of salary

OPERATION IN THE YEAR ENDING 31 MARCH 2023 (2022/23)
No change.

Benefits

To provide market-competitive benefits.

OPERATION
Benefits typically include car allowance, private health insurance, and death in service cover. Where appropriate, other benefits may be offered, including, but not limited to, allowances for relocation. In addition, Directors are eligible to participate in all-employee share plans, currently the SAYE and Share Incentive Plan.

OPPORTUNITY
Benefits may vary by role and individual circumstance, and are reviewed periodically.

There is no overall maximum.

Include car allowance, private health insurance and other benefits.

OPERATION IN THE YEAR ENDED 31 MARCH 2022 (2021/22)
Includes car allowance, private health insurance and other benefits.

OPERATION IN THE YEAR ENDING 31 MARCH 2023 (2022/23)
No change.

REMUNERATION CONTINUED
OUR REMUNERATION POLICY CONTINUED

REMUNERATION POLICY TABLE CONTINUED
VARIABLE COMPONENTS OF EXECUTIVE PAY

Annual bonus

To reinforce and reward delivery of annual strategic business priorities, based on performance measures relating to both Group and individual performance. Bonus deferral provides alignment with shareholder interests.

OPERATION

A portion of the annual bonus is deferred into shares for a period of three years. The deferral is 33% of bonus earned.

Dividend equivalents may be accrued on deferred shares.

The Committee may apply malus and clawback in circumstances of gross misconduct, material misstatement of the Group's results, an error in calculation, serious reputational damage, and corporate failure up to the end of the deferral period.

PERFORMANCE METRICS

Performance is measured relative to financial, operational, strategic and individual objectives in the year aligned with the Company's strategic plan.

Performance measures and weightings are reviewed each year to ensure they remain appropriate and reinforce the business strategy. At least 60% of the total bonus will be based on financial measures.

Bonus awards are at the Committee's discretion and the Committee will consider the Company's performance in the round. The Committee may override the formulaic bonus outcome within the limits of the plan where it believes the outcome is not reflective of performance, to ensure fairness to both shareholders and participants.

OPERATION IN THE YEAR ENDED 31 MARCH 2022 (2021/22)

MAXIMUM OPPORTUNITY:
Graham Clemett (CEO)
Up to 120% of salary
Dave Benson (CFO)
Up to 120% of salary

PERFORMANCE CONDITIONS AND WEIGHTINGS (AS % OF SALARY)
- Trading profit (60%)
- Total Property Return (TPR) (24%)
- Customer satisfaction (12%)
- Business objectives (24%)

EXECUTIVE DIRECTORS AWARDED BONUSES OF:
Graham Clemett (CEO):
99.6% of salary

Dave Benson (CFO):
99.6% of salary

Deferral of 33% of bonus earned.

See page 179 for further details on outcomes.

OPERATION IN THE YEAR ENDING 31 MARCH 2023 (2022/23)

MAXIMUM OPPORTUNITY:
Graham Clemett (CEO)
Up to 120% of salary
Dave Benson (CFO)
Up to 120% of salary

PERFORMANCE CONDITIONS AND WEIGHTINGS (AS % OF SALARY)
- Financial objectives (72%) (Trading profit (60%), Strategic financial (12%))
- Sustainability (24%)
- Operational efficiency (12%)
- Customer satisfaction (12%)

See page 185 for more details

The Committee is of the opinion that, given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, discussing precise targets for the annual bonus plan in advance would not be in shareholder interests.

Actual targets, performance achieved and awards made will be published at the end of the financial year so shareholders can fully assess the basis for any payouts that should remain as shareholders under the annual bonus.

REMUNERATION CONTINUED
OUR REMUNERATION POLICY CONTINUED

REMUNERATION POLICY TABLE CONTINUED
VARIABLE COMPONENTS OF EXECUTIVE PAY

Long-Term Incentive Plan (LTIP)

To reward and align to the delivery of sustained long-term sector outperformance and to align the interests of participants with those of shareholders.

OPERATION
The Committee may grant annual awards of Performance Shares which vest after three years, subject to performance conditions. Vested shares are subject to a further two-year holding period. The Committee has discretion to apply malus and clawback to awards (circumstances as listed in the annual bonus column above) up to the end of the holding period. Dividend equivalents may be accrued on shares in respect of the performance and holding period.

OPPORTUNITY
Normal maximum award of up to 200% of salary per annum. An award of 300% of salary per annum may be made in exceptional circumstances.

PERFORMANCE METRICS
Awards will be based on a combination of financial, share price and strategic measures aligned with the Company's strategic plan.

A performance underpin will apply which allows the Committee to reduce vesting if performance is inconsistent with the overall performance of the business. The Committee may, in the context of the underlying business strategy, use different measures and/or vary the weightings of the measures. The Committee would consult with major shareholders prior to making any significant changes.

OPERATION IN THE YEAR ENDED 31 MARCH 2022 (2021/22)

GRANT SIZES FOR:
Graham Clemett (CEO)
200% of salary
Dave Benson (CFO)
200% of salary

PERFORMANCE CONDITIONS WERE:
50% Total Shareholder Return (TSR) relative to FTSE 350 property companies.
50% Total Property Return (TPR) versus IPD.

The 2019 LTIP vested in the year at 0% of the award. See page 184 for further details on outcomes.

OPERATION IN THE YEAR ENDING 31 MARCH 2023 (2022/23)

GRANT SIZES FOR:
Graham Clemett (CEO)
200% of salary
Dave Benson (CFO)
200% of salary

No change to maximum LTIP opportunities or the performance conditions.

Shareholding requirement

OPERATION
Shareholding guideline for Executive Directors of 200% of salary.

Post-cessation shareholding requirement of 200% of salary for two years post-departure. In the event that a leaver has not met the relevant shareholding requirement at the point of cessation of employment, they would be required to retain their full pre-cessation shareholding for the two-year period.

CURRENT SHAREHOLDINGS[1]
Graham Clemett (CEO)
258% of salary
Dave Benson (CFO)
55% of salary

1. Based on a share price of £8.3362 being the average share price over the year to 31 March 2022 and salaries of £504,000 and £346,800 for Graham Clemett and Dave Benson respectively.

REMUNERATION CONTINUED
OUR REMUNERATION POLICY CONTINUED

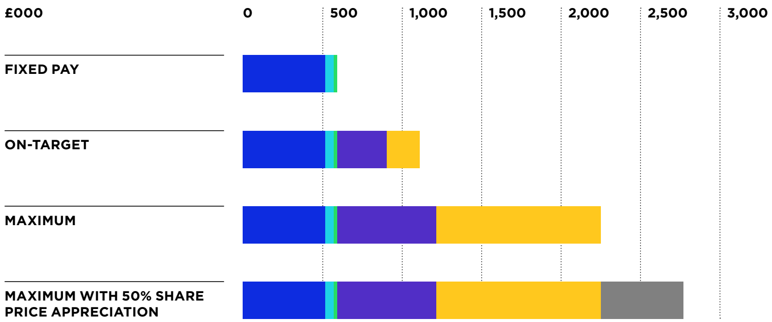
Possible payouts under policy

Based on our Remuneration Policy approved by shareholders in 2020, we set out to the right scenarios for the potential remuneration to be earned by our Executive Directors under the Policy for various performance assumptions.

A high proportion of the Executive Board Directors' packages are made up of shares, supporting the alignment of Executive pay with the interests of our shareholders. The increased value in remuneration from share price appreciation is beneficial for both Executive Directors and shareholders.

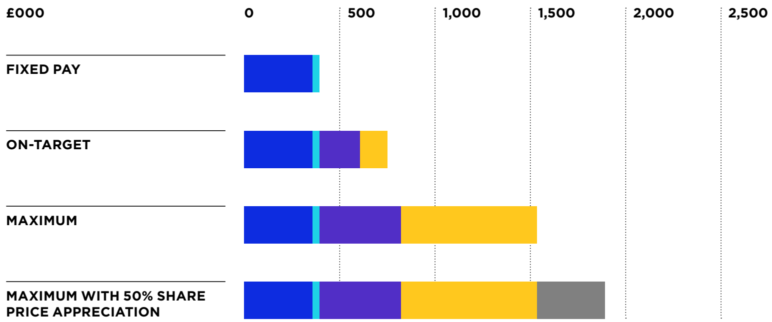
Graham Clemett
CHIEF EXECUTIVE OFFICER
SINGLE FIGURE SCENARIO

Base salary	Salary as at 1 April 2022.
Pension	Current contribution rate of 10% of salary.
Benefits	As provided in the single figure table on page 168.
Annual bonus	**Minimum** – no bonus payable; **On-target** – 50% of maximum potential bonus; **Maximum** – maximum potential bonus.
LTIP	**Minimum** – no LTIP vesting; **On-target** – 20% of maximum (threshold vesting); **Maximum** – maximum LTIP vesting.
Share price growth	Impact of 50% share price appreciation over three years (on the LTIP).



Dave Benson
CHIEF FINANCIAL OFFICER
SINGLE FIGURE SCENARIO

Base salary	Salary as at 1 April 2022.
Pension	Current contribution rate of 10% of salary.
Benefits	As provided in the single figure table on page 168.
Annual bonus	**Minimum** – no bonus payable; **On-target** – 50% of maximum potential bonus; **Maximum** – maximum potential bonus.
LTIP	**Minimum** – no LTIP vesting; **On-target** – 20% of maximum (threshold vesting); **Maximum** – maximum LTIP vesting.
Share price growth	Impact of 50% share price appreciation over three years (on the LTIP).



REMUNERATION CONTINUED

Annual report on remuneration

What we paid our Directors in 2021/22

TOTAL TARGET COMPENSATION COMPARED TO OUR PEERS

Chart A below shows the relative position of target total compensation for our Executive Directors compared to our peers. When we set the target total compensation for the Executive Directors, one of the factors the Committee considers is the competitive market for our Executive Directors, which we believe is the FTSE 250 and FTSE 350 Real Estate Sector, and the size of the Company compared to these peers. The Committee has been pleased to report above target-performance against market benchmark has been achieved over recent years.

CHART A (I) — GRAHAM CLEMETT
CHIEF EXECUTIVE OFFICER

Positioning of total remuneration of the Company relative to market benchmarks.

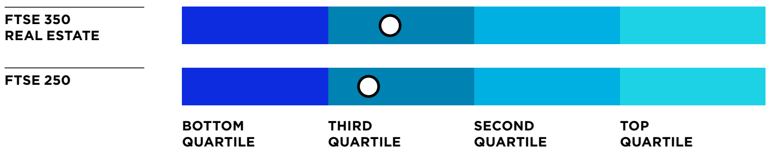
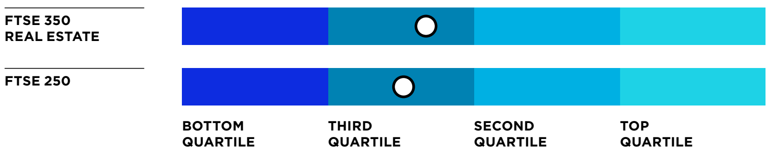


CHART A (II) — DAVE BENSON
CHIEF FINANCIAL OFFICER

Positioning of total remuneration of the Company relative to market benchmarks.



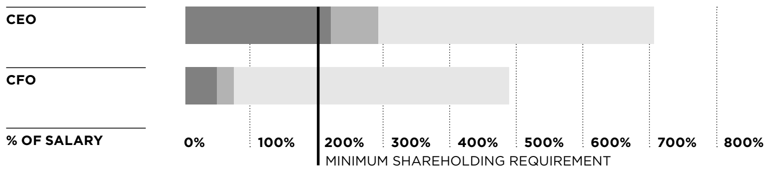
OUR SHAREHOLDING REQUIREMENTS

Our Executive Directors are encouraged to hold a high number of shares in order to align their interests to those of the shareholders, and to encourage a long-term view of the sustainable performance of the Company. As such, our Directors are impacted by the share price over the year in the same way as our shareholders.

Chart B below shows that, in the year, the CEO met his minimum shareholding requirements. The CFO joined in April 2020 and is building his shareholding.

CHART B
OUR SHAREHOLDING REQUIREMENT HAS BEEN MET

- Owned outright or vested.
- Unvested and not subject to performance.
- Subject to performance.



Based on a share price of £8.3362 being the average share price over the year to 31 March 2022 and salaries of £503,970 and £346,800 for Graham Clemett and Dave Benson respectively.

OVERALL LINK TO REMUNERATION AND EQUITY OF THE EXECUTIVE DIRECTORS

Table A below sets out the single figure for 2021/22, the number of shares held by the Director at the beginning and end of the financial year, and the impact on the value of these shares taking the opening price and closing price for the year.

TABLE A

	Graham Clemett	Dave Benson
2021/22 single figure (£000)	1,080.0	725.0
Shares held at start of year	129,448	19,850
Shares held at end of year	135,311	20,085
Value of shares at start of year (£000)[1]	1,035.6	158.8
Value of shares at end of year (£000)[2]	926.9	137.6
Difference (£000)	(108.7)	(21.2)

1. Based on a closing share price on 31 March 2021 of £8.00.
2. Based on a closing share price on 31 March 2022 of £6.85.

Source of data: Publicly available data in annual reports.

REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

Our approach to fairness and wider workforce considerations

When making remuneration decisions for the Executive Board Directors, the Committee considers pay, policies and practices elsewhere in the Group.

We receive regular updates from the Executive Board Directors, and we monitor bonus payout and share award data.

In this section, we provide context to our Executive Board Director remuneration by explaining our employee policies and our approach to fairness, as well as the ratio of CEO pay to that of the wider workforce.

Communication and engagement with employees

The Board is committed to an open dialogue with our employees over various decisions. Our Chairman, Stephen Hubbard, is our designated Non-Executive Director responsible for overseeing employee engagement. During the last financial year, employees have been informed about activities, performance and the Company's response to Covid-19 through staff briefings held by the CEO and other members of the Executive team. Mr Hubbard also held three informal staff events during the year. Employees are kept informed about activities and performance not only through these briefings but also by the circulation of corporate announcements and other relevant information to all staff, supplemented by updates on the intranet.

Share schemes

Share schemes are a long-established and successful part of our total reward package, encouraging and supporting employee share ownership. In particular, all employees are invited to participate in the Company's Savings Related Share Option Scheme and the Share Incentive Plan.

Equal opportunities

Workspace is committed to an active Equal Opportunities Policy from recruitment and selection, through training and development and in performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. We consider the needs of all employees, customers and the community.

We use everyone's talents and abilities, and we value diversity. The Company aims to make our promotion and recruitment practices fair and objective. We encourage continuous development and training, as well as the provision of equal opportunities and career development for employees. Further details of this are shown on pages 136 and 193.

Retirement benefits

The Company provides pension benefits for the majority of its employees. The Company's commitment to pension contributions, consistent with last year, ranges from 6% to 10% of an employee's salary. The pension scheme is open to every employee in accordance with the new Government auto-enrolment rules.

The year-on-year change in our Directors' remuneration

The table below sets out the changes year-on-year between our Director pay and average employee pay. As per our Policy, salary increases applied to Executive Directors will typically be in line with those of the wider workforce.

Table B below shows the percentage change in Director remuneration, comprising salary, taxable benefits and annual bonus, and comparable data for the average of employees within the Company. The comparator group is based on all employees (excluding the CEO, CFO and Non-Executive Directors), normalised for joiners and leavers during the year. The average number of people employed by the Company during the year was 246 (2021: 223). All employees are eligible for consideration for an annual bonus.

TABLE B

	2022			2021		
Director	Salary/fees	Taxable benefits	Annual variable	Salary/fees	Taxable benefits	Annual variable
Executive Directors						
Graham Clemett	2%	1%	157%	9%	-15%	-54%
Dave Benson	2%	n/a	157%	n/a	n/a	n/a
Non-Executive Directors						
Stephen Hubbard	24%	n/a	–	198%	n/a	–
Maria Moloney[1]	-73%	n/a	–	-4%	n/a	–
Chris Girling[1]	-15%	n/a	–	0%	n/a	–
Damon Russell	10%	n/a	–	10%	n/a	–
Suzi Williams[1]	-49%	n/a	–	5%	n/a	–
Rosie Shapland[3]	194%	n/a	–	n/a	n/a	–
Lesley-Ann Nash[3]	345%	n/a	–	n/a	n/a	–
Duncan Owen[2]	n/a	n/a	–	n/a	n/a	–
Nick Mackenzie[2]	n/a	n/a	–	n/a	n/a	–
Manju Malhotra[2]	n/a	n/a	–	n/a	n/a	–
All other employees	5%	-24%	58%	5%	-5%	-5%

1. Maria Moloney, Suzi Williams and Chris Girling stepped down from the Board on 22 July 2021, 10 September 2021 and 7 February 2022 respectively, therefore the above information reflects their time in role.
2. Duncan Owen joined the Board as a Non-Executive Director on 22 July 2021 with both Nick Mackenzie and Manju Malhotra joining the Board as Non-Executive Directors on 26 January 2022. Therefore, their year-on-year change in remuneration cannot be stated.
3. Rosie Shapland and Lesley-Ann Nash joined the Board in November 2020 and January 2021 respectively, and therefore were paid a partial fee in the prior year.

REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

Pay comparisons

Chart C shows the single figure of remuneration for our CEO over time, and the pay of our average employee, each rebased to 2012. We have also included our TSR performance over this period.

- CEO single figure
- Workspace Group PLC TSR
- FTSE 250 Index
- FTSE 350 Real Estate Supersector Index

CHART C

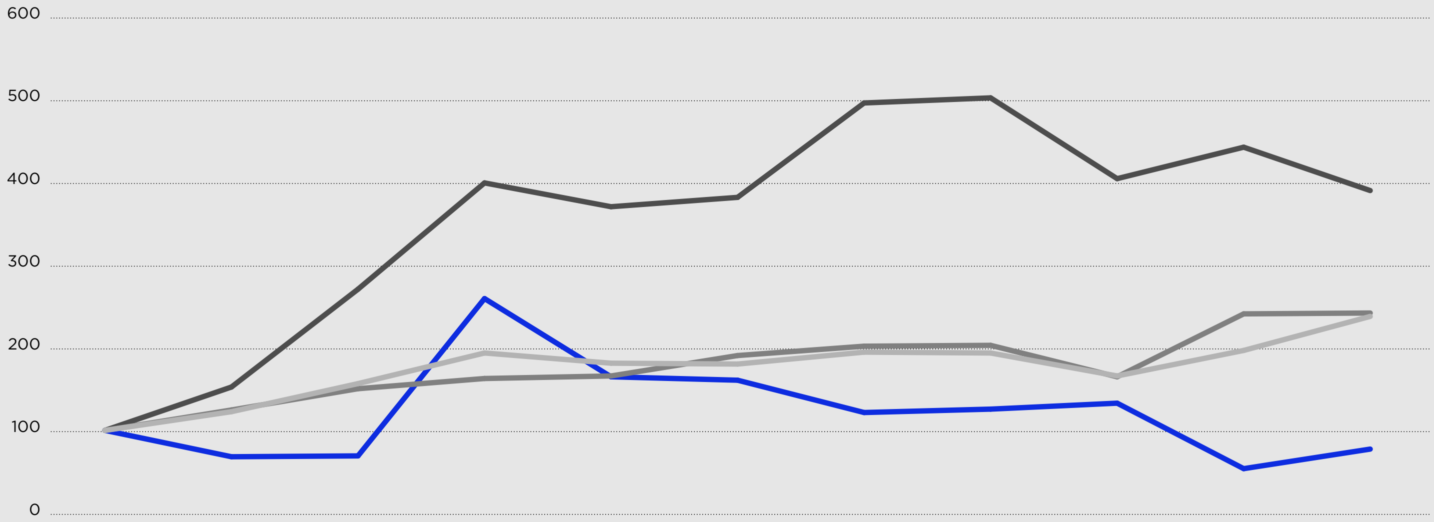


TABLE C

CEO single figure of total remuneration £000		31 Mar 2013	31 Mar 2014	31 Mar 2015	31 Mar 2016	31 Mar 2017	31 Mar 2018	31 Mar 2019	31 Mar 2020	31 Mar 2021	31 Mar 2022
Graham Clemett[1]		–	–	–	–	–	–	–	1,349.9	764.4	1,080.0
Jamie Hopkins[2]		960.3	966.9	3,533.1	2,262.7	2,205.6	1,674.2	1,728.2	490.9	–	–
Annual bonus payout											
Graham Clemett (% of maximum opportunity)		–	–	–	–	–	–	–	77.96%	33%	83%
Jamie Hopkins (% of maximum opportunity)		100%	97.8%	97.2%	95.3%	100%	100%	95.8%	–	–	–
LTIP vesting											
Graham Clemett (% of maximum opportunity)		–	–	–	–	–	–	–	87.24%	0%	0%
Jamie Hopkins (% of maximum opportunity)		–	–	100%	100%	88.7%	62.7%	50.7%	87.24%	–	–
Ratio of single total remuneration figure shown to employees as a whole	to employee lower quartile[3]	–	–	–	–	–	–	53x	47x	23x	32x
	to employee median	–	34x	128x	79x	72x	48x	33x	43x	15x	23x
	to employee upper quartile[3]	–	–	–	–	–	–	23x	23x	11x	15x

1. Mr Clemett assumed the role of Interim CEO on 1 June 2019 and was appointed CEO on 24 September 2019.
2. Mr Hopkins was appointed as an Executive Director on 12 March 2012 and stepped down from the Board on 31 May 2019.
3. See next page for details on calculation.

REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

PAY COMPARISONS CONTINUED

Despite the fact that Workspace would not be required to disclose the ratio of CEO pay to workforce pay (given we do not meet the requirement regarding employee numbers), the Committee has chosen once again to disclose this ratio on a variety of bases, as shown at the bottom of table C above. For the 2019, 2020, 2021 and 2022 figures, this is based on the Companies (Miscellaneous Reporting) Regulations 2018. For the historic figures, this is based on our own methodology. In all cases, the entire UK workforce is included.

Chart C demonstrates that there continues to be a strong correlation between our CEO pay and the Total Shareholder Return of the Company. This results from the CEO receiving a high proportion of his remuneration in shares and because the variable pay within his package is based on measures which directly support the implementation of our strategy. The chart also shows that our average employee pay has trended upwards over this period.

Table C sets out the ratio of CEO pay (based on the single figure) to that of the workforce, for the last 10 years, at the bottom of the table. There is significant volatility in this ratio, caused by the following:

- Our CEO pay was made up of a higher proportion of incentive pay than that of our employees, in line with shareholder expectations. This introduces a higher degree of variability in his pay each year versus that of our employees
- Long-term incentives, which made up a significant proportion of our CEO's pay, are provided in shares, and their value on vesting, included in his single figure, reflects the movement in share price over the three years prior to vesting. This outcome can add significant volatility to the CEO's pay and this is reflected in the ratio

The ratio is driven by the different structure of the pay of our CEO versus that of our employees, as well as the make-up of our workforce. This ratio varies between businesses even in the same sector.

What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the CEO and wider workforce.

The 2019, 2020, 2021 and 2022 figures above were calculated based on the Companies (Miscellaneous Reporting) Regulations 2018. These regulations, which set out how to calculate the pay ratio, describe three methodologies that can be used to identify the employees whose pay sits at the lower quartile, upper quartile and median of the Company – these are named in the regulations as 'Options A, B or C'. In 2019 and 2020, Workspace used Option B, the gender pay data, to determine these individuals, and the ratio of their pay to the CEO is set out in table C above. For 2021 and 2022, Option A was used.

Single figure of Executive Directors (audited)

The illustrations below set out a single figure for the total remuneration received by each Executive Board Director for the year ended 31 March 2022 and the prior year.

	GRAHAM CLEMETT, CEO		DAVE BENSON, CFO	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Fixed pay				
Base salary	504.0	494.0	346.8	340.0
Pension[1]	50.4	49.4	30..8	18.0
Benefits[2]	21.6	21.4	0	0
Total fixed	576.0	564.8	377.6	358.0
Variable pay				
Annual bonus[3]	502.0	195.1	345.4	134.3
LTIP	0	0	–	–
Other – SAYE, SIP	2.0	4.5	2.0	7.5
Total variable	504.0	199.6	347.4	141.8
Total	1,080.0	764.4	725.0	499.8
Of which share price growth	0	0	0	0

1. Pension: During 2021/22 each of Messrs Clemett and Benson received a cash allowance in lieu of pension contribution.
2. Benefits: Taxable value of benefits received in the year by Executive Directors includes a car allowance, private health insurance and death in service cover.
3. Annual bonus: This is the total bonus earned in respect of performance during the relevant year. For 2020/21 and 2021/22, the Committee set a minimum deferral requirement of 33% of the bonus earned. For 2021/22, this deferral was equivalent to £165,654 for Mr Clemett and £113,985 for Mr Benson.
4. SIP awards granted in September 2021. See page 190 for details.

REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

Annual bonus payout in respect of 2021/22 (audited)

For 2021/22 the maximum bonus opportunity for the Executive Directors was 120% of salary. Payouts are subject to the assessment of performance against stretching financial, strategic and business performance targets, and are calculated on a straight-line basis from 0% at threshold to 100% at maximum performance. Both Graham Clemett and Dave Benson are required to defer 33% of their bonus into Company shares for three years. The targets are set based on our budgeting process, which takes account of market expectation, planned acquisitions and disposals of assets, and aspirations around Company growth.

The performance measures, targets and outcomes for each measure are shown to the right.

ANNUAL BONUS PAYOUT IN RESPECT OF 2021/22

MEASURE	ACHIEVED: THRESHOLD (0% PAYABLE)	ACHIEVED: MAXIMUM (100% PAYABLE)	ACHIEVED: ACTUAL	FORMULAIC OUTCOME	OPPORTUNITY AS A % OF SALARY
TRADING PROFIT AFTER INTEREST	£40.0M	£45.0M	ACTUAL: £45.3M	60%	60%
TOTAL PROPERTY RETURN FROM PORTFOLIO VERSUS A DEFINED COMPARATOR BENCHMARK COMPILED BY IPD	BENCHMARK	BENCHMARK +2%	ACTUAL: BENCHMARK +0.3%	3.6%	24%
CUSTOMER SATISFACTION	72%	80%	ACTUAL: 86.4%	12%	12%
BUSINESS OBJECTIVES	0%	MAX: 100%	ACTUAL: 100%	24%	24%
TOTAL				99.6%	120%
OUTCOME (£000) GRAHAM CLEMETT, CEO				£502.0 TOTAL bonus	£165.6 of which is deferred bonus
OUTCOME (£000) DAVE BENSON, CFO				£345.4 TOTAL bonus	£113.9 of which is deferred bonus

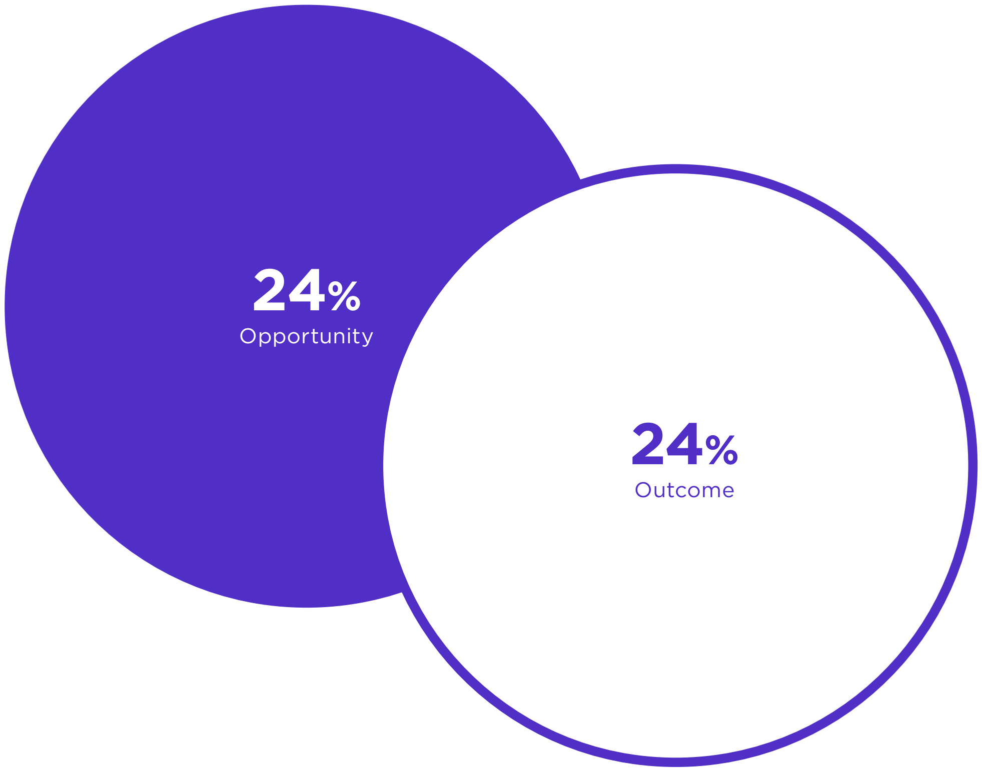
REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

Business objectives 2021/22 (audited)

The Executive Directors’ business objectives focus on the delivery of the strategic priorities for the business and the successful management of risk.

Based on a review of achievement against the business objectives set out below, the Committee has awarded Graham Clemett and Dave Benson 24% of salary under this element.

BUSINESS OBJECTIVES (% OF SALARY)



OBJECTIVES

1. Launch new brand positioning and raise brand and corporate profile Page 181
2. Roll-out of single-billing lease product Page 181
3. Progress the delivery of our multi-year ESG plans and commitments Page 181
4. Continued upgrade and expansion of our property portfolio Page 182
5. Delivery of customer service initiatives Page 183

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

BUSINESS OBJECTIVES CONTINUED

Objective	Target	Achievement
1 LAUNCH NEW BRAND POSITIONING AND RAISE BRAND AND CORPORATE PROFILE	– Double awareness from 3% to 6% in a year	– 15% spontaneous brand awareness achieved in March 2022 as measured independently by Opinium (Market Research Agency)
	– Double number of social media followers from 20k to 40k in year	– Followers successfully doubled to 40k by the end of Q4 based on combined Instagram, LinkedIn and Twitter accounts
	– Track through the year	– Steady volume of coverage with consistently positive overall sentiment. Coverage showing positive or neutral sentiment up from 86% to 97% since November 2021 – Improved understanding of Workspace's position and offer, with 61% of articles now using 'flexible office provider' descriptor, up from 40% in the period from June-November 2021, and more coverage in top tier titles
2 ROLL-OUT OF SINGLE-BILLING LEASE PRODUCT	– All processes and controls operating effectively	– All the internal appropriate processes and controls are now in place and are being used to deliver Workspace Inclusive offer – Controls in place with Wavenet (our comms provider) to ensure that the customer onboarding journey is seamless – CRM and ECS automations ensure a smooth onboarding process for our customers
	– Complete roll-out by April 2022	– The project has successfully delivered Workspace Inclusive to the 30 in-scope buildings across the portfolio by April 2022 – The plan is to bring ten additional buildings onto Workspace Inclusive over the next 12 months once the upgrade of Wi-Fi within these buildings is complete
3 PROGRESS THE DELIVERY OF OUR ESG PLANS AND COMMITMENTS	– 4.2% reduction in emissions over the year	– Our total scope 1 and 2 emissions for 2021/22 are reduced by 20% compared to the base year of 2019/20 (comparison with 2020/21 is distorted by Covid impact). Annualised reduction of 10% in year
	– Methodology in place	– We appointed Verte to create a sustainable development framework
	– Apply methodology to new refurbishment projects	– The framework is now being piloted on Riverside and Havelock to inform project brief and targets. It covers a wide range of issues, including energy, carbon, health and wellbeing, biodiversity, social impact, and management
	– Rolling delivery of relevant webinars	– 13 Employee Webinars delivered to Workspace employees – 35 customer wellbeing events across the business centres
	– Workshops run for five separate schools/ colleges across London	– Covid has made it impossible to access schools and colleges to run interview workshops – New InspiresMe programme has been developed and will be rolled out in 2022/23

REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

BUSINESS OBJECTIVES CONTINUED

	TARGET	ACHIEVEMENT
4 **CONTINUED UPGRADE AND EXPANSION OF OUR PROPERTY PORTFOLIO**	– Successful completion to plan	Projects delivered this year: – Pall Mall refurbishment now completed – Mirror Works delivered – Light Bulb (phase 2) delivered – Sale of Highway completed
	– Planning consents achieved to plan	– Biscuit Factory Block J – Pre-commencement conditions discharged and development ready to commence – Chocolate Factory – Pre-commencement conditions discharged, and planning consent implemented. Development ready to commence – Leroy House – Pre-commencement conditions discharged, and planning consent implemented. Main contractor now on site
	– Successful completion of pre-apps with local authorities	– Havelock Terrace – Successful pre-app for industrial/studio/business centre. Planning application being prepared – Morie Street – Successful pre-app with detailed negotiations ongoing – Salisbury House – Successful pre-app for atrium and new conference centre – Shaftesbury Centre – Successful pre-app for new business centre – Poplar – Negotiations concluded to move Colt, allowing phases 2, and 3, (including return of new business centre) to be accelerated
	– Initial review of at least £5bn of opportunity in year	– Initial review of £6.2bn of opportunities across London – Busworks and The Old Dairy acquired
	– Target at least 20% of total opportunities reviewed	– 36% of total opportunities sourced off market

REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

BUSINESS OBJECTIVES CONTINUED

	TARGET	ACHIEVEMENT
5 DELIVERY OF CUSTOMER SERVICE INITIATIVES	– All customers contacted at least every 45 days	– Planned content and themes for each phase of communication agreed and delivered – Total of 9,400 new customer records have been added to CRM – The percentage of customers contacted by centre teams is now running at 98%, of total customers
	– Significantly reduce number of steps in the approval to move process	– Approval to move process reduced from 10 steps to 2 steps – Centre teams given training to ensure consistency of process for customers who move within Workspace
	– Simplify and tailor processes to size of customer	– A rent-free grace period has been introduced for internal moves. For units of 1,000 sq. ft. and under, the grace period is 7 days, units 1,000-2,000 sq. ft., the grace period is 14 days. For units 2,000+ they are treated on a case-by-case basis – Centre managers have a discretion to waive small dilapidation items that may be preventing them from closing a customer account – Licence to alter process streamlined with a quicker and simpler process for 'light works' and a more detailed process for 'Extensive works'
	– Wi-Fi available from day one	– Wavenet now notified as soon as holding fee received to enable them to begin conversations with the customer on their connectivity requirements – Once a customer has signed their contract, Wavenet will ensure Wi-Fi will be readily available from day 1 – Centre managers' responsibility on day 1 move-in now includes check-in with the customer to make sure Wi-Fi is available – Wavenet team visit customer within 2 weeks of move in to introduce themselves and discuss customer requirements
	– Streamlined process linked to new single billing processes	– Processes mapped and streamlined for onboarding journey, includes communications and touch points from both Workspace and Wavenet – Automated communications from centre teams to customers to ensure consistency of messaging
	– Active training and involvement of centre teams to resolve faults	– Collaborative training delivered to all centre manages and Wavenet engineers – Monthly catch-ups between Wavenet customer experience managers and Workspace centre teams
	– Improved Wavenet fault resolution statistics	– Fault resolution within 4 hours improved from 70% to 90% over the year – Agreed tone of voice for both Workspace and Wavenet comms to remove jargon in discussions with customers – Proactive update process agreed for major incidents with centre teams now copied on all updates and notifications – Joint agreement for data to be shared to allow for centre team access to fault reporting system

REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

LTIP award vesting in respect of 2021/22 (audited)

The 2019 LTIP awards measured performance over the period 1 April 2019 to 31 March 2022. Details of the performance targets and achievement against them are set out below.

On this basis, 0% of the 2019 LTIP will vest.

The 2020 LTIP awards are based on the same targets and weightings as the 2021 LTIP award shown below, in Table E, measured over the period 1 April 2020 to 31 March 2023.

MEASURE	THRESHOLD (20% PAYABLE)	MAXIMUM (100% PAYABLE)	ACTUAL	FORMULAIC OUTCOME (% OF AWARD)
TOTAL SHAREHOLDER RETURN (TSR) RELATIVE TO FTSE 350 PROPERTY COMPANIES	MEDIAN	UPPER QUARTILE	20th PERCENTILE	0%/50%
TOTAL PROPERTY RETURN (TPR) VERSUS IPD	MEDIAN	UPPER QUARTILE	43rd PERCENTILE	0%/50%
LTIP (% MAXIMUM) VESTING				0%/100%

	CEO
NUMBER OF SHARES VESTING (AUDITED)	0

LTIP awards made during the 2021/22 financial year (audited)

Under the current Policy conditional share awards under the LTIP are granted to a maximum of 200% of salary. Awards under the 2021 LTIP are subject to the performance conditions detailed in Table E below measured over the period 1 April 2021 to 31 March 2024.

TABLE E

Director	Relative TSR vs. sector group[1] (50% of the award)	Total Property Return versus London IPD index (50% of the award)
Threshold[3] (20% vesting)	Median	Median
Maximum[3] (100% vesting)	Upper Quartile	Upper Quartile

1. The comparator group for the 2021 LTIP cycle is the constituents of the FTSE 350 Real Estate Index excluding agencies.
2. For any shares to vest on absolute TSR, the Company's TSR outcome must exceed the median TSR of the comparator group over the performance period.
3. There is straight-line vesting between the 'Threshold' and 'Maximum' performance levels.

The following awards were granted during the year under the 2021 LTIP:

		Performance Share award			
				Face value	
Director	Date of grant	Market price at date of award[1]	Number of shares	£	% of salary
Graham Clemett	24 June 2021	£8.6117	117,043	1,007,939	200%
Dave Benson	24 June 2021	£8.6117	80,541	693,594	200%

1. The share price for calculating the levels of awards was £8.6117, the average mid-market closing price over the three dealing days 21, 22 and 23 June 2021, in accordance with the LTIP rules.

Deferred shares were granted (as conditional share awards) under the 2020/21 bonus of 7,629 shares to Mr Clemett and 5,250 shares to Mr Benson on 28 June 2021 based on a share price of £8.375, the share price on date of grant (33% of bonus awarded).

REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

How we will apply the Policy in 2022/23

While our Policy continues to be fit for purpose going forward, the only change for 2022/23 will be the annual bonus performance measures. See below for further details.

BASE SALARY

The Executive Directors will be awarded a 3% salary increase in line with the average applied to the wider workforce. Salaries will be as follows:

CEO	CFO
£519,120	**£357,204**

PENSIONS

In line with the Policy set out in this report, the Executive Directors will receive a contribution to a defined contribution plan or a cash allowance in lieu of contribution of 10% of salary respectively.

ANNUAL BONUS

There is no change to the annual bonus maximum potential in 2022/23, and this will continue to be 120% of salary.

33% of the total bonus paid will be deferred into shares for three years. Dividend equivalents may be accrued on deferred shares.

Following careful consideration, we have decided that for the 2022/23 annual bonus, the Total Property Return measure (which remains as a measure in our LTIP) be replaced with a range of sustainability objectives, and the business objectives be replaced with strategic financial and operational efficiency objectives. The profit and customer satisfaction metrics will be unchanged.

Whilst we believe that disclosing the exact performance conditions and targets for all measures would not be in the best interests of shareholders, we remain committed to best practice disclosure. We therefore set out to the right some examples of the objectives that the Committee will consider in respect of evaluating the strategic financial and operational efficiency and sustainability objectives. Full disclosure on the targets, performance achieved and resulting bonus payouts for 2022/23 will be provided in next year's report.

EXAMPLES OF OPERATIONAL EFFICIENCY

1. Integration of McKay staff and processes
2. Roll out of new finance system
3. New customer complaints policy and process
4. Continued roll-out of Workspace Inclusive offer

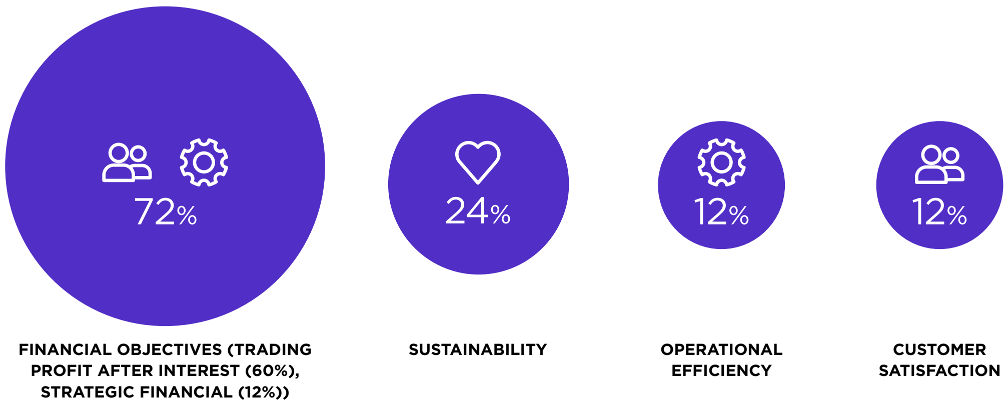
EXAMPLES OF STRATEGIC FINANCIAL OBJECTIVES

1. Disposal of non-core assets
2. Delivery of integration cost savings from McKay acquisition
3. Complete debt refinancing post McKay acquisition
4. Continue to build Workspace brand profile

EXAMPLES OF SUSTAINABILITY OBJECTIVES

1. Progress our pathway to net zero carbon by 2030
2. All lettable units to be A and B rated by 2030
3. Improve customer advocacy of our sustainability credentials
4. Launch our new InspireMe programme to local schools, colleges and youth organisations
5. Customer and well-being initiatives

PERFORMANCE MEASURES AND LINK TO STRATEGY



DRIVING CUSTOMER-LED GROWTH

A FOUNDATION OF OPERATION EXCELLENCE

BEING SUSTAINABLE

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

HOW WE WILL APPLY THE POLICY IN 2022/23 CONTINUED

LONG-TERM INCENTIVE PLAN (LTIP)

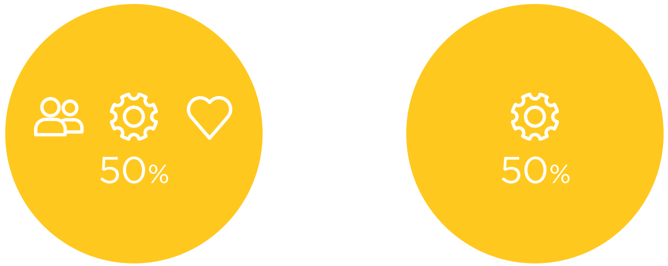
Maximum award 200% of salary. The performance measures are such that 50% will be based on Total Property Return against a London-focused IPD index and 50% will be based on relative TSR against FTSE 350 Real Estate companies. The targets for the two elements are as follows:

	Total Shareholder Return relative to FTSE 350 Real Estate Supersector index excluding agencies	Total Property Return versus London-focused IPD index
Threshold (20% vesting)	Median	Median
Maximum (100% vesting)	Upper Quartile	Upper Quartile

A holding period of two years will apply to any vested shares under the LTIP.

To allow any payouts to be fully reflective of underlying performance, the LTIP underpin allows the Committee to reduce vesting should the Committee believe that the relative TSR and/or relative TPR performance is inconsistent with the overall performance of the business.

PERFORMANCE MEASURES AND LINK TO STRATEGY



TOTAL SHAREHOLDER RETURN (TSR) RELATIVE TO FTSE 350 PROPERTY COMPANIES

TOTAL PROPERTY RETURN (TPR) VERSUS IPD BENCHMARK

DRIVING CUSTOMER-LED GROWTH

A FOUNDATION OF OPERATION EXCELLENCE

BEING SUSTAINABLE

NON-EXECUTIVE DIRECTOR FEES

The fees for Non-Executive Directors are reviewed and agreed annually. The fees, which are effective from 1 April 2022, are set out in the table to the right.

Our Chairman and NED base fee have increased on the basis that there has been no increase since 2019 and reflects alignment with market comparable levels.

	2022/23 fee	2021/22 fee	% change
Chairman[1]	£200,000	£188,000	6%
NED base fee[2]	£55,000	£51,000	8%
Chair of Audit Committee fee	£10,800	£10,800	0%
Chair of Remuneration Committee fee	£10,800	£10,800	0%
Chair of Risk Committee fee	£10,800	£10,800	0%
Senior Independent Director fee[3]	£10,800	£10,800	0%

1. The increase in the Chairman fee is effective from 1 April 2022.
2. The increase in the NED base fee is effective from 1 April 2022.
3. The Senior Independent Director fee was applied from 22 July 2021.

REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

Single figure for Non-Executive Directors (audited)

Table F below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 March 2022 and the prior year:

TABLE F

	Stephen Hubbard		Maria Moloney		Chris Girling		Damon Russell		Duncan Owen		Suzi Williams		Rosie Shapland		Lesley-Ann Nash		Manju Malhotra		Nick Mackenzie	
Non-Executive Director	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Base fee	188.0	151.9	16.1	51.0	49.5	51.0	51.0	51.0	35.4	–	22.7	51.0	51.0	19.9	51.0	12.8	9.3	–	9.3	–
Additional fees	–	–	–	8.3	3.2	10.8	10.8	5.0	–	–	4.5	2.4	7.6	–	6.3	–	–	–	–	–
Total	188.0	151.9	16.1	59.3	52.7	61.8	61.8	56.0	35.4	–	27.2	53.4	58.6	19.9	57.3	12.8	9.3	–	9.3	–

1. Expenses incurred by Non-Executive Directors represent the cost to the Group, being gross of taxation. In 2021/22, Chris Girling and Damon Russell were reimbursed for out-of-pocket expenses, incurred in attending meetings in connection with the discharge of their duties, of £741.34 and £775.35 respectively.
2. Additional fees were paid during the year to Non-Executive Directors serving as Chairs of the Remuneration, Audit and Risk Committees. An additional fee is also paid to the Senior Independent Director.

Share ownership and share interests (audited)

The shareholding guideline for Executive Directors is 200% of salary. The table to the right shows the interests of the Directors and connected persons in shares (owned outright or vested). There have been no changes in the interests in the period between 31 March 2022 and 7 June 2022.

Graham Clemett exceeds the shareholding guidelines. See page 175 for details. Dave Benson, who joined the Company on 1 April 2020, acquired 19,850 shares in September 2020. Mr Benson was subsequently awarded 235 ordinary shares under the Workspace Group PLC Share Incentive Plan.

Table H on the far right shows the Executive Directors' interest in shares.

TABLE G

	31 March 2022	31 March 2021
Chairman		
Stephen Hubbard	23,640	23,640
Executive Directors		
Graham Clemett	135,311	129,448
Dave Benson	20,085	19,850
Non-Executive Directors		
Damon Russell	Nil	Nil
Rosie Shapland	Nil	Nil
Lesley-Ann Nash	Nil	Nil
Nick Mackenzie	Nil	N/A
Manju Malhotra	Nil	N/A
Duncan Owen	5,560	N/A
Past Directors		
Maria Moloney[1]	See note	2,027
Suzi Williams[1]	See note	Nil
Chris Girling[1]	See note	Nil

1. Maria Moloney, Suzi Williams and Chris Girling stepped down from the Board on 22 July 2021, 10 September 2021 and 7 February 2022 respectively. As at the date of leaving, the number of shares held were 2,027 for Maria Moloney. Suzi Williams and Chris Girling did not hold any shares.

TABLE H

Executive Director	Type	Owned outright or vested[2]	Unvested and not subject to performance[3]	Subject to performance[4]	Total
Graham Clemett	Shares	135,311	40,772	256,681	432,764
	Market value options[1]	NIL	3,389	NIL	3,389
Dave Benson	Shares	20,085	5,250	176,630	201,965
	Market value options[1]	NIL	5,649	NIL	5,649

1. Market value options include SAYE options outstanding and not yet matured as at 31 March 2022. The exercise price of these was set at 80% (in accordance with HMRC and the plan rules) of the market value of a share at the invitation date. See page 190 for further details.
2. The total shares owned outright or vested.
3. This figure includes the deferred bonus shares awarded in 2019, 2020 and 2021 for Mr Clemett and the deferred bonus shares awarded in 2021 for Mr Benson.
4. The interest in shares of 256,681 for Mr Clemett consists of LTIP awards made in 2020 and 2021. The interest in shares of 176,630 for Mr Benson consists of LTIP awards made in 2020 and 2021, details of which can be found on page 189 in this report.

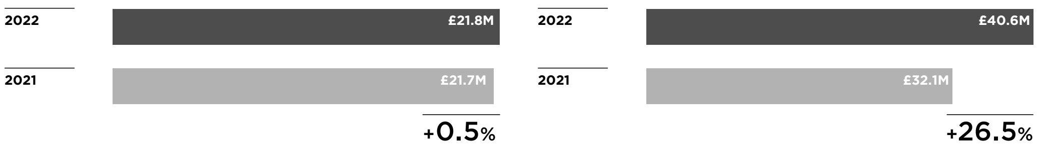
REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

Additional information

External appointments
It is the Board's policy to allow Executive Directors to take up one Non-Executive position on the Board of another company, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director. Mr Clemett was appointed a Non-Executive Director and Chair of the Audit Committee of The Restaurant Group PLC, effective 1 June 2016. Mr Clemett is paid an annual fee of £76,000. Mr Benson does not hold any external appointments.

Relative importance of spend on pay
Chart D below shows the Company's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 March 2021 and 31 March 2022.

CHART D
EMPLOYEE REMUNERATION | DISTRIBUTION TO SHAREHOLDERS



* The estimated total dividend as reported in the financial statements for the year to 31 March 2022 was £40.6m.

Payments for loss of office (audited)
None.

Payments to past Directors (audited)
In June 2021, Jamie Hopkins received 17,423 shares, gross, pursuant to an award made under the Deferred Bonus Plan. These shares relate to the deferred element of his 2018 bonus, awarded whilst he was still a Director of the Company. Dividend equivalents at £15,259 (gross) were accrued and paid on the deferred shares.

Service contracts of Directors serving in the year
Executive Directors are employed under contracts of employment with Workspace Group PLC. The principal terms of the Executive Directors' service contracts are as follows.

			Notice period	
Executive Director	Position	Effective date of contract	From Company	From Director
Graham Clemett	Chief Executive Officer	31 July 2007	12 months	12 months
Dave Benson	Chief Financial Officer	1 April 2020	12 months	12 months

Graham Clemett joined the Company as CFO in July 2007 and was appointed as CEO on 24 September 2019. Mr Clemett served as Interim CEO and CFO from 31 May 2019 until September 2019.

The Chairman and Non-Executive Directors have letters of appointment. Dates of the Directors' letters of appointment are set out below:

Name	Date of original appointment (date of reappointment)	Date of appointment/ last reappointment at AGM	Notice period
Stephen Hubbard	16 July 2014 (23 January 2020)	2021	6 months
Damon Russell	29 May 2013 (29 May 2022)	2021	3 months
Rosie Shapland	6 November 2020 (n/a)	2021	3 months
Lesley-Ann Nash	1 January 2021 (n/a)	2021	3 months
Duncan Owen	22 July 2021 (n/a)	n/a	3 months
Manju Malhotra	26 January 2022 (n/a)	n/a	3 months
Nick Mackenzie	26 January 2022 (n/a)	n/a	3 months

1. Duncan Owen joined the Board as a Non-Executive Director on 22 July 2021, with both Nick Mackenzie and Manju Malhotra joining the Board as Non-Executive Directors on 26 January 2022.

The Directors are subject to annual re-election at the AGM. Non-Executive Directors' letters of appointment and Executive Directors' contracts are available to view at the Company's registered office.

REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

ADDITIONAL INFORMATION CONTINUED

Committee advisers

During the year, PwC LLP acted as independent adviser to the Committee. PwC LLP was appointed by the Committee in 2018 following a selection process. PwC LLP is a founding member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to Executive remuneration consulting in the UK. The Committee is satisfied that the PwC LLP engagement partner and team, which provide remuneration advice to the Committee, do not have connections with the Group that may impair their objectivity and independence. The fees charged by PwC LLP for the provision of independent advice to the Committee during the year were £91,520 (based on hourly rates). With regards to other services provided by PwC during the financial year, PwC provided support to Workspaces IT team on business continuity procedures.

Voting at the Company's AGMs

The table below sets out the results of the most recent shareholder votes on the Policy Report and the advisory vote on the 2020/21 Annual Report on Remuneration at the 2021 AGM on 21 July 2021. The Committee views this level of shareholder support as a strong endorsement of the Company's Policy and its implementation.

	Percentage of votes cast		Number of votes cast		
	For and Discretion	Against	For and Discretion	Against	Withheld[1]
Policy Report (2020 AGM)	99.54	0.46	116,307,019	539,870	1,666
Annual Report on Remuneration (2021 AGM)	98.90	1.10	129,953,244	1,445,468	2,953

1. A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

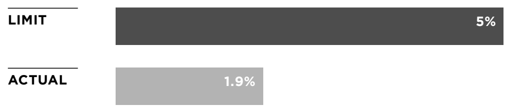
Share based awards and dilution

The Company's share schemes are funded through a combination of shares purchased in the market and new-issue shares, as appropriate. The Company monitors the number of shares issued under these schemes and their impact on dilution limits. The Company's usage of shares compared to the relevant dilution limits set by the Investment Association in respect of all-share plans (10% in any rolling ten-year period) and Executive share plans (5% in any rolling ten-year period) as at 31 March 2022 is detailed below.

As of 31 March 2022, around 2.3% and 1.9% shares have been, or may be, issued to settle awards made in the previous ten years in connection with all-share schemes and executive share schemes respectively. Awards that are made but then lapse or are forfeited are excluded from the calculations.

ALL-SHARE PLANS

EXECUTIVE SHARE PLANS



Outstanding LTIP awards

Details of current awards outstanding to Graham Clemett and Dave Benson are detailed below.

	At 1 April 2021	Lapsed during the year	Vested during the year	At 31 March 2022
Executive Director	Performance[2]	Performance	Performance	Performance
Graham Clemett				
22/06/2018	54,892	54,892	–	–
18/06/2019	71,814	–	–	71,814
18/06/2020	139,638	–	–	139,638
24/06/2021	–	–	–	117,043
Dave Benson				
18/06/2020	96,089	–	–	96,089
24/06/2021	–	–	–	80,541

1. Awards will vest subject to the satisfaction of performance conditions detailed on page 184 over the three-year performance period.
2. LTIP awards made to the Executive Directors. In June 2019, 2020 and 2021 awards were in respect of 200% of salary based on a share price at date of award of £8.62083, £7.0767 and £8.6117 respectively. The 2019 LTIP awards vested at 0%.

REMUNERATION CONTINUED
ANNUAL REPORT ON REMUNERATION CONTINUED

ADDITIONAL INFORMATION CONTINUED

Share options

The following table shows, for the Directors who served during the year, the interests in outstanding awards under the HMRC-approved Savings Related Share Option Plan and SIP Awards.

Executive Director	At 01/04/2021	Granted during the year	Lapsed during the year	Vested in year	At 31/03/2022	Exercise price	Normal exercise date From	Normal exercise date To
Graham Clemett	107	–	–	–	107		18.09.18	
	228	–	–	–	228		30.08.20	
	233	–	–	–	233		05.09.22	
	–	235	–	–	235		29.09.24	
	3,389				3,389	£5.31	01.09.23	01.03.24
Dave Benson	5,649	–	–	–	5,649	£5.31	01.09.25	01.03.26
	–	235	–	–	235		29.09.24	

1. Mr Clemett was granted awards under the Share Incentive Plan on 18 September 2015 (107); 30 August 2017 (228); 5 September 2019 (233); and 29 September 2021 (235).
2. Mr Benson was granted an award under the Share Incentive Plan on 29 September 2021 (235).

There have been no changes in Directors' interests over options in the period between the balance sheet date and 7 June 2022.

The Directors' Remuneration Report has been approved by the Board of Workspace Group PLC.

By order of the Board

Lesley-Ann Nash
Chair of the Remuneration Committee
7 June 2022

REPORT OF THE DIRECTORS

The Directors present their report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2022.

The Directors present their report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2022.

Workspace Group PLC is incorporated in the UK and registered as a public limited company in England and Wales. Its headquarters are in London and it is listed on the main market of the London Stock Exchange.

This section of the Annual Report sets out the information required to be disclosed in the Directors' Report. Certain matters that would otherwise be disclosed in the Directors' Report have been reported elsewhere in the Annual Report and consequently, this Directors' Report should be read in conjunction with our Strategic Report on pages 1 to 92, and a description of the Group's business model on pages 67 to 75. It also includes our report on our sustainability programme, principal risks and uncertainties and the Statements on Going Concern, Viability and Section 172 matters which can be found on pages 76 to 77 and 113 to 115.

The Corporate Governance Report and Chairman's Governance Report for the year ended 31 March 2022, on pages 93 to 190, are incorporated by reference into this Directors' Report.

Post balance sheet events

Details of post balance sheet events can be found on page 229.

Principal activities and business review

The Group is engaged in property investment and letting business space to businesses in London. As at 31 March 2022 the Company had twelve active subsidiaries, five of which are property investment companies owning properties in Greater London. The other seven companies are: Workspace Management Limited; LI Property Services Limited; Workspace 17 (Jersey) Limited; Centro Property Limited, Busworks Limited; Omnibus Workspace Limited and United Workspace Limited. A full list of the Company's subsidiaries and other related undertakings appears on pages 228 to 229.

Significant events which occurred during the year are detailed in the Chairman's statement on pages 9 to 10, the Chief Executive Officer's Statement on pages 11 to 12 and the Business Review on pages 67 to 75.

A description of the principal risks and uncertainties facing the Group can be found on pages 59 to 66. Details of the Group's health and safety policies can be found on page 193 and information on its environmental and community engagement activities can be found on pages 26 and 108.

Profit and dividends

The Group's profit after tax for the year attributable to shareholders amounted to £123.9m (2021: loss of £235.7m).

An interim dividend of 7.0 pence was paid in February 2022 (2021: no interim dividend) and the Board is proposing to recommend the payment of a final dividend of 14.5 pence (2021: 17.75 pence) per share to be paid on 5 August 2022 to shareholders whose names are on the Register of Members at the close of business on 8 July 2022. This makes a total dividend of 21.5 pence (2021: 17.75 pence) for the year.

Going concern and viability

The Going Concern and Viability Statements can be found on pages 76 to 77.

The Group's activities, strategy and performance are explained in the Strategic Report on pages 1 to 92.

Further details on the financial performance and financial position of the Group are provided in the financial statements on pages 204 to 229.

Financial risk management

The financial risk management objectives and policies of the Group are set out in note 18 to the financial statements and in the principal risks and uncertainties section of this report on pages 59 to 66.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are each aware, there is no relevant information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

REPORT OF THE DIRECTORS CONTINUED

Information to be disclosed under LR9.8.4R

For the purpose of LR9.8.4CR, the information required to be disclosed by LR9.8.4R can be found in the Annual Report in the following locations and is hereby incorporated by reference into this Directors' Report:

Section	Topic	Location in the Annual Report
1	Interest capitalised	Financial statements, page 215 note 10
4	Details of long-term incentive schemes	Remuneration Report, pages 169 to 170, 173 and 184

There is no further information required to be disclosed under LR9.8.4R.

Share capital and control

As at 31 March 2022, the Company's issued share capital comprised a single class of 181,125,259 ordinary shares of £1.00 each. Details of the Company's issued share capital are set out on page 225. Full details of share options and awards under the terms of the Company's share incentive plans can be found on pages 226 to 228.

Other relevant requirements from the takeover directive are included elsewhere in the Report of the Directors, the Corporate Governance Report, the Directors' Remuneration Report and the notes to the Group and Company financial statements. There are no agreements in place between the Group and its employees or Directors for compensation for loss of office or employment that occur because of a takeover bid.

Restrictions on transfer of shares

There are no restrictions on the transfer of ordinary shares in the Company other than in relation to certain restrictions that are imposed from time to time by laws and regulations (for example insider trading laws). In addition, pursuant to the Listing Rules of the Financial Conduct Authority, Directors and certain officers and employees of the Group require the approval of the Company to deal in ordinary shares of the Company.

Purchase of own shares

Under the Company's Articles of Association, the Company may purchase any of its own shares. The Company was granted authority at the 2021 Annual General Meeting to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2022 Annual General Meeting and a resolution will be proposed to renew this authority. No ordinary shares were purchased under this authority during the year.

Substantial shareholdings in the Company

As at 31 March 2022, the following interests in voting rights over the issued share capital of the Company had been notified.

Shareholder	Number of shares	Percentage held
The London & Amsterdam Trust Company Limited	53,491,771	29.53%
BlackRock, Inc.	25,966,106	14.33%
Jupiter Asset Management Limited	11,747,772	6.49%
Cohen & Steers Inc.	8,368,145	4.62%
The Vanguard Group Inc.	6,709,886	3.71%

As at 25 May 2022 the following interests in voting rights over the issued share capital of the Company had been notified. The issued share capital of the Company increased between 31 March 2022 and 25 May 2022 due to the issue of shares in relation to acquisition of McKay Securities PLC.

Shareholder	Number of shares	Percentage held
The London & Amsterdam Trust Company Limited	53,491,771	27.91%
BlackRock, Inc.	25,760,454	13.44%
Jupiter Asset Management Limited	9,693,227	5.06%
Cohen & Steers Inc.	9,312,761	4.86%
The Vanguard Group Inc.	7,118,549	3.71%

Board of Directors

The names and biographical details of the Directors and details of the Board Committees of which they are members are set out on pages 102 to 105 and incorporated into this Report by reference. Changes to the Directors during the year and up to the date of this Report are set out on page 101. At the date of this Report there are currently nine Directors on the Board of Workspace Group PLC. The Board may exercise all powers of the Company, subject to the Company's Articles of Association, the Companies Act 2006 and other applicable legislation. Changes to the Articles of Association must be approved by shareholders in accordance with the Articles of Association themselves and applicable legislation in force at the relevant time.

The Company's current Articles of Association require any new Directors to stand for election at the next AGM following their appointment. The Articles of Association also require each Director to stand for re-election every three years following their election. However, in accordance with the Code and the Company's current practice, all continuing Directors will offer themselves for election or re-election (as applicable) at the AGM on 21 July 2022.

REPORT OF THE DIRECTORS CONTINUED

Details of the Directors' interests in the shares of the Company and any awards granted to the Executive Directors under any of the Company's all-employee or Long-Term Incentive Plans are given in the Directors' Remuneration Report on page 187. The Service Agreements of the Executive Directors and the Letters of Appointment of Non-Executive Directors are also summarised in the Directors' Remuneration Report and are available for inspection at the Company's registered office.

The appointment and replacement of Directors is governed by the Company's Articles of Association, the Code, the Companies Act 2006 and any related legislation. Unless otherwise determined by ordinary resolution of the Company, the Directors shall not be less than two or more than ten in number. The Board may appoint any person to be a Director so long as the total number of Directors does not exceed the limit prescribed in the Articles of Association. In addition to any power of removal conferred by the Companies Act 2006, the Company may by ordinary resolution remove any Director before the expiry of their period of office.

Directors' indemnities

Under the Company's Articles of Association, to the extent permitted by the Companies Act 2006, the Company may, to the extent permitted by law, indemnify any Director, Secretary or other Officer of the Company against any liability and may also purchase and maintain insurance against such liability. The Board considers that the provision of such indemnification is in keeping with current market practice and believes that it is in the best interest of the Group to provide such indemnities in order to attract and retain high-calibre Directors and Officers.

The Company purchased and maintained Directors' and Officers' liability insurance during the year under review and at the date of approval of the Directors' Report. Qualifying third party indemnity provisions (as defined by Section 234 of the Companies Act 2006) were in force during the period and remain in force in relation to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors or employees of the Company or of any associated company.

Change of control

There are a number of agreements (including the Group's borrowing facilities and other financial instruments, details of which can be found in note 16 to the financial statements) that could allow counterparties to terminate or alter those arrangements in the event of a change of control of the Company.

Section 172(1) Statement

The Company's Section 172(1) Statement can be found on pages 113 to 115.

Employees

The Group values highly the commitment of its employees and has maintained its practice of communicating business developments to them in a variety of formats. The Group's employees are kept informed of its activities and performance through a series of Director-led staff briefings at key points during the year and the circulation of corporate announcements and other relevant information to staff which is supplemented by updates on the intranet as well as frequent site visits by Directors and Senior Managers. These briefings also serve as an informal forum for employees to ask questions about the Group.

Share schemes are a long-established and successful part of our total reward package, encouraging and supporting employee share ownership. In particular, all employees are invited to participate in the Group's Savings Related Share Option Scheme.

The Group is committed to an active Equal Opportunities Policy from recruitment and selection, through training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. The Group is responsive to the needs of its employees, customers and the community at large. We are an organisation which uses everyone's talents and abilities, and where diversity is valued. The Group remains supportive of the employment, career development and training of individuals without regard to gender, gender reassignment, race, ethnicity, age, religious beliefs or absence of religion or belief, sexual orientation, marital and civil partnership, disability, education or social background. The Group monitors these practices to ensure that they are fair and objective. Should an employee become disabled in the course of their employment, we aim to ensure that reasonable steps are taken to accommodate their disability by making reasonable adjustments to their existing employment.

The Group provides retirement benefits for the majority of its employees as well as offering employees the option to obtain free, independent pension advice from our retained Financial Advisor. Details of the Group's pension arrangements are set out in note 27 on page 229.

Further information on our employees and how we engage with them can be found on pages 24, 47 to 50 and 108.

Health and safety

We take the health and safety of our employees, customers, visitors and others who may be affected by our activities with the greatest seriousness and we fully comply with all health and safety legislation applicable to our business.

In the year under review we monitored and reviewed our health and safety systems to promote continued compliance with HSE standards and best practice, and carried out portfolio-wide safety training with employees. This year we will continue to promote a healthy environment and culture across our organisation and provide the necessary training for head office and site staff so that we remain competent in meeting our health and safety responsibilities. Annual formal health and safety audits are carried out every year to review our controls and ensure they are suitable and sufficient to manage risk in the business.

REPORT OF THE DIRECTORS CONTINUED

We are also focusing on our employees' mental health as we feel it is essential to our overall wellbeing, and as important as physical health. We have already undertaken several mental health focused courses and have appointed a committee to look at how we can further assist employees.

COVID-19	During the year, we continued to take action to ensure that the wellbeing of our employees, customers and visitors to our buildings is our first priority as the country began to emerge from the Covid-19 pandemic. We continued to react to guidance from a variety of government and public health authorities and endeavoured to provide the most up-to-date guidance, support and advice to our employees. We are confident we had, and continue to have, the right policies and procedures in place to continue to serve our customers.
TRAINING	We train our employees so that they are competent and confident to carry out their jobs in a safe and professional manner. Our people lead by example, working on the principle that if they display high standards in the way they go about their business, then our customers and suppliers will follow suit. Each new starter is given in-house induction training targeted to the health and safety responsibilities they will hold, with ongoing training provided via toolbox talks and regular formal meetings with managers and members of the Health and Safety Committee. Although face-to-face training has continued to be impacted by Covid-19 restrictions in place at certain points of this year, we have carried out a substantial amount of health and safety training, including, IOSH Managing Safely, NEBOSH Certificate and specific training around asbestos, water hygiene, fire safety and the Construction Design and Management Regulations.
COMPLIANCE MANAGEMENT	All our site staff and facilities managers, as well as some key head office personnel, use a compliance monitoring tool, E-Logbooks, which is a proven software system that enables us to monitor statutory compliance and routine maintenance across the entire portfolio.
INTERNAL HEALTH AND SAFETY AUDITS	We are committed to continuous improvement and we undergo a series of formal internal health and safety audits every year. The number of audits per annum has increased this year with the intention to audit all sites at least every three years. Evaluations of the results from these audits are used to facilitate individual site safety improvements and identify areas where we can enhance our safety procedures across the portfolio. This includes any requirement for additional training, awareness or toolbox talks.
REDEVELOPMENT AND REFURBISHMENT PROJECTS AND CONTRACTOR SAFETY	Redevelopment and refurbishment projects regularly take place across our portfolio, on both customer-occupied and vacant sites. We closely manage our contractors' activities and the associated risks to the health and safety of customers and visitors, particularly where building works are being carried out in close proximity to common parts and customer-occupied areas. For the sixth consecutive year, there have been no contractor-related accidents or incidents that have affected our customers.

Business conduct and compliance

See pages 78 to 80 for details of our key business conduct and compliance policies.

Greenhouse gas emissions

See page 91 for details of our absolute emissions and emissions as an intensity ratio, which are incorporated by reference into this Directors' Report and fulfil the requirements of the Greenhouse Gas Emissions (Directors' Reports) Regulations 2013.

2021 Annual General Meeting

See page 107 for details of our 2021 Annual General Meeting.

2022 Annual General Meeting

The 36th Annual General Meeting of the Company will be held at the Company's business centre at Edinburgh House, 170 Kennington Lane, London, SE11 5DP on Thursday 21 July 2022 at 11.00am. The Notice of Meeting, together with an explanation of the business to be dealt with at the Meeting, is included as a separate document sent to shareholders who have elected to receive hard copies of shareholder information and is also available on the Company's website.

Following nine years as a Non-Executive Director of Workspace, Damon Russell will step down with effect from the conclusion of the 2022 Annual General Meeting. Consequently, Damon will not be seeking re-election at the 2022 AGM.

Under the rules of the Savings Related Share Option Scheme, a requirement exists to renew the terms of the scheme every 10 years. Given that it was last tabled to shareholders in 2012, shareholders will be asked to approve the new Workspace Sharesave Plan 2022 at the AGM in July 2022.

Following shareholder engagement, in 2019, 2020 and 2021 we sought approval for a resolution authorising political donations up to £20,000 in aggregate, which was a lower amount than we had sought in previous years. This year we are again proposing a resolution with an upper limit of £20,000 in aggregate. This resolution is proposed as a precaution to prevent the Company's normal business activities being inadvertently caught by the broad definitions used in the relevant provisions of the Companies Act 2006. It remains the policy of the Company not to make political donations or incur political expenditure within the ordinary meaning of those words and the Board has no intention of using the authority for that purpose.

In addition, and in line with the resolution approved at last year's AGM, the Directors are again proposing a single resolution disapplying pre-emption rights for the 2022 Annual General Meeting that would apply only in very limited circumstances. The proposed disapplication resolution is limited to allotments and/or sales: (i) in connection with pre-emptive offers and offers to holders of equity securities other than ordinary shares (if required by the rights of those securities or as the Directors otherwise consider necessary); and (ii) in connection with the terms of any employees' share scheme for the time being operated by the Company.

By Order of the Board

Carmelina Carfora
Company Secretary
7 June 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. In addition, the Group financial statements are required under the UK Disclosure and Transparency Rules to be prepared in accordance with UK-adopted international accounting standards.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable, relevant and reliable
- For the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards
- For the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations or have no realistic alternative but to do so

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board on 7 June 2022 by:

Graham Clemett
Chief Executive Officer

Dave Benson
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Workspace Group PLC ("the Company") for the year ended 31 March 2022 which comprise the Consolidated and Parent Company's Balance Sheets, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated and Parent Company's Statement's of Changes in Equity, and the related notes, including the accounting policies on pages 207 to 211 for the Group and Note A for the Parent Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 14 July 2017. The period of total uninterrupted engagement is for the 5 financial years ended 31 March 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£24.5m (2021: £25.5m) 0.98% (2021: 0.98%) of total Group assets	
Coverage	100% (2021: 100%) of total Group assets	
Key audit matters		vs 2021
Recurring risks	**Group:** Valuation of Investment Property	–
	New: Parent: Investment in Subsidiaries	–

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC
CONTINUED

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT CONTINUED

	The risk	Our response
Valuation of investment property (Group) Investment Properties (£2,366.7 million; 2021: £2,349.9 million) Assets Held for Sale (£65.9 million; 2021: nil) *Refer to* page 152 *(Audit Committee Report),* page 208 *(accounting policy) and* page 215 *(financial disclosures).*	**Subjective valuation** Investment properties (incorporating assets held for sale) is the largest balance in the financial statements and is held at fair value in the Group's financial statements. The portfolio is externally valued by a qualified independent valuer, CBRE. Each property is unique and determining fair value requires significant judgement and estimation, in particular over the key assumptions of the estimated rental value and the yield. The key assumptions will be impacted by a number of factors including location, quality and condition of the building and occupancy. Valuing investment properties either under development or with development potential can be further complicated by the need to assess the likelihood of planning consent, an allowance for developer's profit and forecast of construction costs. Whilst comparable market transactions can provide valuation evidence, the flexible office sector is still maturing and the unique nature of each property means that a key factor in the property valuations are the assumptions made by the valuer. Furthermore, each property valuation includes source data provided by Directors and relied on as accurate by the external valuer, primarily the database of tenancy contracts. The relatively short average lease length in the Workspace Group's portfolio and reduced market comparable information for such flexible office space means the valuer is more reliant on tenancy data to support their market rent assumptions than may be the case in other property sectors. Therefore the valuation is more sensitive to the source data than may be the case for more mature sectors with longer leases. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of investment properties has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. **Disclosure quality** The financial statements disclose the sensitivity estimated by the Group. The Directors' assessment of the extent of the disclosure is based on an evaluation of the inherent risks to the valuation. The risk for our audit is whether or not those disclosures adequately address the uncertainties within the valuation, and if so, whether those uncertainties are fundamental to the users' understanding of the financial statements.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures, assisted by our own property valuation specialist for first 3 procedures, included: **Assessing valuer's credentials:** We assessed CBRE's objectivity, professional qualifications and experience through discussions with them, reviewing evidence of appropriate professional qualifications, reviewing terms of engagement letter and reading their valuation report. **Methodology choice:** We critically assessed the methodology used by the valuer by using our own property valuation specialist to assist us in assessing whether the valuation was performed in accordance with the RICS Valuation Professional Standards 'the Red Book', IFRS and that the valuation methodology adopted is appropriate by reference to acceptable valuation practice. **Benchmarking assumptions:** We held discussions with CBRE to understand the assumptions and methodologies used in valuing the investment properties and the market evidence used by them to support their assumptions. We understood Directors' involvement in the valuation process to assess whether appropriate oversight has occurred. With the assistance of our own property valuation specialist, we held discussions with CBRE to understand movements in property values. For a sample of properties selected using various criteria including analysis of the value of a property as well as correlation with movements in market rent, we evaluated and challenged the appropriateness of the key assumptions upon which these valuations were based, including those relating to forecast market rents and yields, by making a comparison to our own understanding of the market and to industry benchmarks. **Test of detail:** We compared a sample of key inputs used in the valuations, such as rental income and lease length, to the Group's property management system and lease contracts. For all properties, we assessed the capital expenditure by agreeing a sample of them to invoices. For sample of development properties, we reviewed forecasted development costs to supporting documentation, reviewed status of planning consent and agreed actual cost incurred to date. **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the valuation of investment properties to changes in key assumptions adequately reflected the related risks. **Our results** – We found the valuation of investment properties to be acceptable. (2021: acceptable).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC
CONTINUED

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT CONTINUED

	The risk	Our response
Recoverability of Parent Company's investment in subsidiaries (£929.8 million; 2021: £928.5 million) *Refer to page 231 (accounting policy) and page 232 (financial disclosures).*	**Low risk, high value:** The carrying amount of the Parent Company's investments in subsidiaries represents 66.2% (2021: 59.7%) of the Company's total assets. Their recovery is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that will have the greatest effect on our overall Parent Company audit.	We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: – **Test of detail:** Comparing the carrying amount of 100% of investments representing 100% (2021: 99%) of the total investment balance with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries are profit-making. **Our results** – We found the Company's conclusion that there is no impairment of its investments in subsidiaries to be acceptable (2021: acceptable).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC
CONTINUED

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT
CONTINUED

We continue to perform procedures over revenue recognition. During the previous financial year the Group offered customers rental discounts and deferrals, the non-standard nature of which resulted in an increased inherent risk of error and therefore warranted additional audit focus. In the current year, no such discounts or deferrals were offered. Given that rental income does not contain a significant level of judgement we have not assessed revenue recognition as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

Valuation of Derivatives is also no longer considered a Key Audit Matter as the Company do not hold any derivatives on the balance sheet as at end of the current year. We consider the recoverability of Parent Company investments in subsidiaries to be the other most significant area in the audit of Parent Company, therefore Valuation of Derivatives is removed as a Key audit matter.

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £24.5 million (2021: £25.5 million), determined with reference to a benchmark of total Group assets of which it represents 0.98% (2021: 0.98%).

In addition, we applied materiality of £2.45 million (2021: £3.75 million) to certain components of trading profit after interest which comprises net rental income, administrative expenses and net finance costs for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Group.

Materiality for the Parent Company financial statements as a whole was set at £14.03 million (2021: £15.64 million), determined with reference to a benchmark of Company total assets, of which it represents 1% (2021: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2021 : 75%) of materiality for the financial statements as a whole, which equates to £18.4m (2021 : £19.1m) for the Group and £10.52m (2021 : £11.73) for the Parent Company.

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

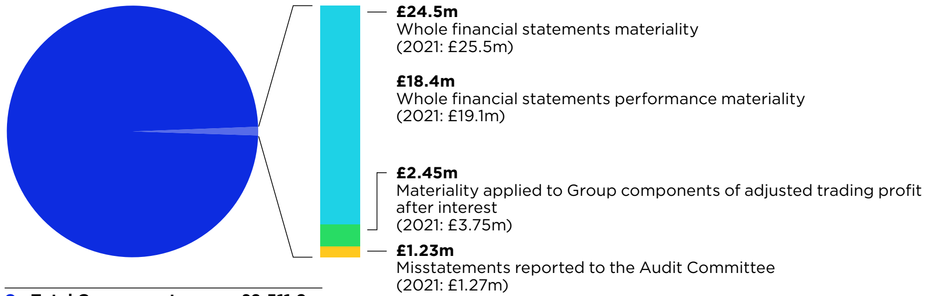
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.23 million (2021: £1.27 million) for the Group and exceeding £0.70 million (2021: £0.78 million) for the Parent Company; or £0.12 million (2021: £0.19 million) for misstatements relating to accounts to which the lower materiality was applied, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The components within the scope of our work accounted for the percentages illustrated opposite.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The Group team performed the Parent Company audit. The audit was performed using the materiality levels set out above.

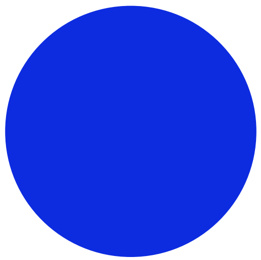
The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

TOTAL GROUP ASSETS AND MATERIALITY



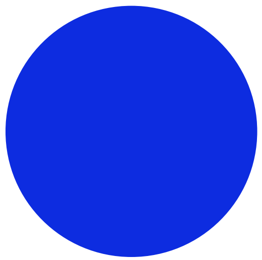
- **Total Group assets** (2021: £2,593.6m) — **£2,511.9m**
- **Group Materiality** (2021: £25.5m) — **£24.5m**

GROUP REVENUE



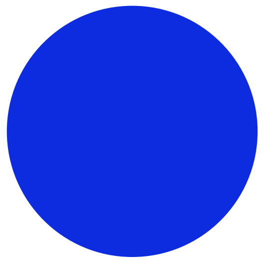
- **Group revenue** (2021: 100%) — **100%**

GROUP PROFIT BEFORE TAX



- **Group profit before tax** (2021: 100%) — **100%**

GROUP TOTAL ASSETS



- **Group total assets** (2021: 100%) — **100%**

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC
CONTINUED

4. THE IMPACT OF CLIMATE CHANGE ON OUR AUDIT

In planning our audit we have considered the potential impacts of climate change on the Group’s business and its financial statements. Climate change impacts the Group in a number of ways: through its own operations (including potential reputational risk associated with the Group’s delivery of its climate related initiatives), through its portfolio of investment properties and the greater emphasis on climate related narrative and disclosure in the Annual Report. The Group’s main potential exposure to climate change in the financial statements is primarily through its investment properties as the key valuation assumptions and estimates may be impacted by climate risks. As part of our audit we have made enquiries of Directors and the Group’s Corporate Sustainability team to understand the extent of the potential impact of climate change risk on the Group’s financial statements and the Group’s preparedness for this. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit, in particular with respect to the valuation of investment properties. Given that these valuations are largely based on comparable market evidence we assessed that the impact of climate change was not a significant risk for our audit nor does it constitute a key audit matter. We held discussions with our own climate change professionals to challenge our risk assessment. We have also read the Group’s disclosure of climate related information in the front half of the Annual Report as set out on pages 81 to 92, and considered consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of these disclosures.

5. GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group’s and the Company’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group’s and Company’s financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group’s and Company’s available financial resources over this period were:

- A fall in customer demand as a result of economic downturn over the next two years, before a gradual recovery;
- Reduction in the like for like occupancy over the period of March 2024, with a gradual recovery by March 2027;
- New lettings continue to be below the average price per sq. ft. of vacating customers;
- Continued higher levels of counterparty risk, with increased levels of bad debt;
- Higher level of cost inflation have been modelled.

We considered whether these risks could plausibly affect the liquidity or availability of borrowings and debt refinancing in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group’s current and projected cash and facilities (a reverse stress test).

We considered the completeness and accuracy of the matters covered in the going concern disclosures and assessed whether they reflect the position of the Group’s financing and the risks associated with the Group‘s ability to continue as a going concern.

Our conclusions based on this work:

- we consider that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors’ assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group’s or Company’s ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors’ statement in the basis of preparation note in the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company’s use of that basis for the going concern period, and we found the going concern disclosure in basis of preparation note to be acceptable; and
- the related statement under the Listing Rules set out on page 192 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC
CONTINUED

6. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes, Executive Committee minutes and attending Group Audit Committee meetings.
- Considering remuneration incentive schemes and performance targets for management, including total shareholder return, total property return, performance compared to IPD and growth in trading profit after interest targets for management remuneration.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as significant assumptions used in the valuation of investment properties, including estimated rental values and market based yields. On this audit we do not believe there is a fraud risk related to revenue recognition because of the relative simplicity of revenue streams.

We also identified a fraud risk related to management's potential manipulation of tenancy data when determining property valuations in response to possible pressures to meet profit targets.

We performed procedures including:

- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias including assessing the source data used for purpose of valuations of investment properties. Further details in respect of our procedures over source data in relation to the valuation of investment properties is set out in the key audit matter disclosure in section 2.
- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user and those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation (including conditions to maintain UK Real Estate Investment Trust ("REIT") status in accordance with the REIT regime) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, environmental and sustainability legislation, and certain aspects of company legislation recognising the financial nature of the Group's activities and its legal form.

Auditing standards limit the required audit procedures to identify non compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach. We assessed the legality of the distributions made by the Company in the period based on comparing the dividends paid to the distributable reserves prior to each distribution, including consideration of interim accounts filed during the year.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC
CONTINUED

7. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT
The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report
Based solely on our work on the other information:
- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability
We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:
- the Directors' confirmation within the viability statement page 76 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Emerging and Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 76 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures
We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:
- the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in this respect.

8. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION
Under the Companies Act 2006, we are required to report to you if, in our opinion:
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WORKSPACE GROUP PLC
CONTINUED

9. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 195, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**.

10. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Kelly (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
7 June 2022

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £m	2021 £m
Revenue	1	132.9	142.3
Direct costs[1]	1	(46.2)	(60.8)
Net rental income	1	86.7	81.5
Administrative expenses	2	(19.3)	(19.0)
Trading profit		67.4	62.5
Profit/ (loss) on disposal of investment properties	3(a)	7.8	(0.1)
Other income	3(b)	0.6	–
Other expenses	3(c)	–	(0.2)
Change in fair value of investment properties	10	68.7	(257.7)
Operating profit/ (loss)		144.5	(195.5)
Finance costs	4	(20.5)	(23.8)
Exceptional finance costs	4	–	(16.4)
Profit/ (loss) before tax		124.0	(235.7)
Taxation	6	(0.1)	–
Profit/ (loss) for the financial year after tax		123.9	(235.7)
Basic earnings/ (loss) per share	8	68.5p	(130.3)p
Diluted earnings/ (loss) per share	8	68.1p	(130.3)p

1. Direct costs in 2022 includes impairment of receivables of £1.5m (2021: £4.2m). See note 1 for additional information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	2022 £m	2021 £m
Profit/ (loss) for the financial year	123.9	(235.7)
Other comprehensive income:		
Items that may be classified subsequently to profit or loss:		
Fair value of investments recycled to retained earnings	2.1	–
Cash flow hedge – transfer to income statement	(0.3)	8.6
Cash flow hedge – change in fair value	–	(9.8)
Other comprehensive income/ (loss) in the year	1.8	(1.2)
Total comprehensive income/ (loss) for the year	125.7	(236.9)

The notes on pages 207 to 230 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Investment properties	10	2,366.7	2,349.9
Intangible assets		1.9	2.4
Property, plant and equipment	11	2.9	4.0
Other investments	12	1.7	7.9
Derivative financial instruments	16(e)	–	8.7
Deferred tax	6	0.3	0.4
		2,373.5	2,373.3
Current assets			
Trade and other receivables	13	23.5	29.3
Assets held for sale	10	65.9	–
Cash and cash equivalents	14	49.0	191.0
		138.4	220.3
Total assets		2,511.9	2,593.6
Current liabilities			
Trade and other payables	15	(85.8)	(95.0)
Borrowings	16(a)	–	(156.6)
		(85.8)	(251.6)
Non-current liabilities			
Borrowings	16(a)	(595.5)	(596.2)
Lease obligations	17	(31.0)	(26.3)
		(626.5)	(622.5)
Total liabilities		(712.3)	(874.1)
Net assets		1,799.6	1,719.5

	Notes	2022 £m	2021 £m
Shareholders' equity			
Share capital	20	181.1	181.1
Share premium	20	295.5	295.5
Investment in own shares	22	(9.9)	(9.6)
Other reserves	21	32.6	33.1
Retained earnings		1,300.3	1,219.4
Total shareholders' equity		1,799.6	1,719.5

The notes on pages 207 to 230 form part of these financial statements.

The financial statements on pages 204 to 230 were approved and authorised for issue by the Board of Directors on 07 June 2022 and signed on its behalf by:

Graham Clemett
Director

Dave Benson
Director

Company registration number – 02041612

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

		Attributable to owners of the Parent					
	Notes	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 31 March 2020		180.7	295.4	(9.6)	32.2	1,499.3	1,998.0
Loss for the financial year		–	–	–	–	(235.7)	(235.7)
Other comprehensive loss for the year	21	–	–	–	(1.2)	–	(1.2)
Total comprehensive loss		–	–	–	(1.2)	(235.7)	(236.9)
Transactions with owners:							
Share issues	20	0.4	0.1	–	(0.4)	–	0.1
Dividends paid	7	–	–	–	–	(44.2)	(44.2)
Share based payments	23	–	–	–	2.5	–	2.5
Balance at 31 March 2021		181.1	295.5	(9.6)	33.1	1,219.4	1,719.5
Profit for the financial year		–	–	–	–	123.9	123.9
Other comprehensive income for the year		–	–	–	–	1.8	1.8
Total comprehensive income		–	–	–	–	125.7	125.7
Transactions with owners:							
Purchase of own shares	22	–	–	(0.3)	–	–	(0.3)
Dividends paid	7	–	–	–	–	(44.8)	(44.8)
Share based payments	23	–	–	–	1.6	–	1.6
Recycled OCI to retained earnings	21	–	–	–	(2.1)	–	(2.1)
Balance at 31 March 2022		181.1	295.5	(9.9)	32.6	1,300.3	1,799.6

The notes on pages 207 to 230 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Cash generated from operations	19	80.5	62.4
Interest paid		(22.6)	(23.4)
Tax paid		-	(0.6)
Net cash inflow from operating activities		57.9	38.4
Cash flows from investing activities			
Purchase of investment properties		(88.4)	–
Capital expenditure on investment properties		(29.8)	(23.6)
Proceeds from disposal of investment properties (net of sale costs)		117.3	11.0
Purchase of intangible assets		(0.5)	(1.2)
Purchase of property, plant and equipment		(0.7)	(1.2)
Other income (deferred consideration/ overage)		4.5	0.1
Proceeds from sale of investments	3(b)/ 12	6.8	–
Net cash inflow/ (outflow) from investing activities		9.2	(14.9)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	20	–	0.1
Finance costs for new/ amended borrowing facilities		(1.3)	(2.0)
Exceptional finance costs		(16.4)	–
Settlement of derivative financial instruments		0.7	–
Repayment of bank borrowings and Private Placement Notes	16(h)	(173.5)	(217.0)
Draw down of bank borrowings	16(h)	25.0	54.0
Green Bond proceeds		–	299.5
Own shares purchase (net)		(0.3)	–
Dividends paid	7	(43.3)	(46.3)
Net cash (outflow)/ inflow from financing activities		(209.1)	88.3
Net (decrease)/ increase in cash and cash equivalents		(142.0)	111.8
Cash and cash equivalents at start of year	19	191.0	79.2
Cash and cash equivalents at end of year	19	49.0	191.0

The notes on pages 207 to 230 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Workspace Group PLC (the 'Company') and its subsidiaries (together 'the Group') are engaged in property investment in the form of letting of high-quality business accommodation to businesses across London.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK.

The registered number of the Company is 02041612.

BASIS OF PREPARATION

These financial statements are presented in Sterling, which is the Company's functional currency and the Group's presentation currency, and have been prepared and approved by the Directors on a going concern basis, in accordance with UK adopted international accounting standards. The Company has elected to prepare its Parent Company financial statements in accordance with FRS 101; these are presented on pages 230 to 233. In addition, the Group financial statements are required under the UK Disclosure and Transparency Rules 4.1.6, to be prepared in accordance with United Kingdom adopted international accounting standards.

Whilst the impact of Covid-19 on the Group has reduced in the last 12 months, the war in Ukraine, current high levels of inflation and higher interest rate environment means there is an increased risk of an economic downturn.

We have modelled a number of different scenarios considering a period of 12 months from the date of signing of these financial statements. These scenarios include a severe, but realistically possible, downside scenario which includes the following key assumptions:

- A stalling of the UK economy, with low levels of GDP growth and inflationary pressure, resulting in a reduction in customer demand over the next two years, compared to current levels.
- Like-for-like occupancy reduces by c.5% to 85% over the next two years, with associated increase in void costs and downward pressure on pricing of new lettings.
- New lettings at below the average price per sq. ft. of vacating customers resulting in a overall reduction in average rent per sq. ft.
- Increase in counterparty risk, with bad debt significantly higher than pre-pandemic levels.
- Higher levels of cost inflation.
- Higher interest rate environment resulting in an increase in the cost of variable rate borrowings.

The Directors fully considered the principal risks of the Company and how they may impact the model. Further details of the principal risks can be found on pages 59 to 66.

The appropriateness of the going concern basis is reliant on the continued availability of borrowings, sufficient liquidity and compliance with loan covenants.

The Group's revolving credit facility was refinanced in December 2021 with a limit of £200m and a term to December 2024 bringing the total longer-term debt facilities to £800m. In addition, in March 2022, a £200m "Acquisition Facility" was secured, in relation to the purchase of McKay Securities PLC, bringing total facilities to £1bn as at 31 March 2022.

As at 31 March 2022, the Company had significant headroom with £442m of cash and undrawn facilities. On 6 May 2022 we completed the acquisition of McKay, with the consideration comprising a £191m cash payment and the issuance of new shares. Under the downside scenario, whereby we assume that the McKay facilities are required to be prepaid in June 2022, the Group maintains sufficient headroom in its cash and loan facilities for the full period of assessment.

The £200m Acquisition Facility expires in September 2023 and no other debt is due to be refinanced until December 2024.

All outstanding borrowings require compliance with LTV and Interest Cover covenants. As at the tightest test date in the scenarios modelled, the Group could withstand a reduction in net rental income of 51% and a fall in the asset valuation of 56% compared to 31 March 2022 (pro-forma including McKay) before these covenants are breached, assuming no mitigating actions are taken.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND GUIDANCE

a) During the year to 31 March 2022 the Group adopted the following accounting standards and guidance:

IFRS Standards	Amendments to References to the Conceptual Framework in IFRS Standards
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amended)	Interest Rate Benchmark Reform – Phase 2
IFRS 16 (amended)	COVID-19 related rent concessions

There was no material impact from the adoption of these accounting standard amendments on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

b) The following accounting standards and guidance are not yet effective but are not expected to have a significant impact on the Group's financial statements or will result in changes to presentation and disclosure only. They have not been adopted early by the Group:

IFRS 17	Insurance Contracts
IAS 1 (amended)	Classification of Liabilities as Current or Non-Current
IAS 1 and IFRS Practise Statement 2 (amended)	Disclosure of Accounting Policy
IAS 8 (amended)	Definition of Accounting Estimate
IAS 37 (amended): Onerous Contracts	Cost of Fulfilling a Contract
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IFRS Standards 2018-2020	Annual Improvements to IFRS Standards 2018-2020
IFRS 3 (amended)	Reference to the Conceptual Framework
IAS 1 (amended)	Presentation of Financial Statements and IFRS Practise Statement 2 Making Materiality Judgements

SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Group's significant accounting policies are stated below. Not all of these accounting policies require management to make subjective or complex judgements. The following is intended to provide an understanding of the significant judgements within the accounting policies that management consider critical because of the assumptions or estimation involved in their application and their impact on the consolidated financial statements.

Investment property valuation

The Group uses the valuation performed by its independent valuer as the fair value of its investment properties. The valuation is based upon the key assumptions of estimated rental values and market based yields. With regard to redevelopments and refurbishments, future development costs and an appropriate discount rate are also used. In determining fair value the valuers make reference to market evidence and recent transaction prices for similar properties.

Management consider the significant assumptions to the valuation of investment properties to be estimated rental values and market based yields. Sensitivities on these assumptions are provided in note 10.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless stated otherwise.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings up to 31 March 2022. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

Inter-company transactions, balances and unrealised gains from intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investment properties

Investment properties are those properties owned or leased by the Group that are held either to earn rental income or for capital appreciation, or both, and are not occupied by the Company or subsidiaries of the Group.

Investment property is measured initially at cost, including related transaction costs. After initial recognition investment property is held at fair value based on a valuation by an independent professional external valuer at each reporting date. The valuation methods and key assumptions applied are explained in note 10. Changes in fair value of investment property at each reporting date are recorded in the consolidated income statement.

Investment properties acquired under leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the net present value of the minimum lease payments. The investment properties acquired under leases are subsequently carried at fair value plus an adjustment for the carrying amount of the lease obligation. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. Each lease payment is allocated between liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the consolidated income statement.

Properties are treated as acquired at the point the Group assumes the significant risks and rewards of ownership and are treated as disposed when these are transferred outside of the Group's control.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

Existing investment properties which undergo redevelopment and refurbishment for continued future use remain in investment property where the purpose of holding the property continues to meet the definition of investment property as defined above. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group, and the cost of each item can be reliably measured. Certain internal staff costs directly attributable to capital/redevelopment projects are capitalised. All other repairs and maintenance costs are charged to the consolidated income statement during the period in which they are incurred.

Capitalised interest on refurbishment/redevelopment expenditure is added to the asset's carrying amount. Borrowing costs capitalised are calculated by reference to the actual interest rate payable on borrowings, or if financed out of general borrowings by reference to the average rate payable on funding the assets employed by the Group and applied to the direct expenditure on the property undergoing redevelopment. Interest is capitalised from the date of commencement of the redevelopment activity until the date when substantially all the activities necessary to prepare the asset for its intended use are complete.

Investment properties are recognised as 'assets held for sale' when it is considered highly probable that sale completion will take place. This is assumed when the property has been actively marketed for a buyer, supported by either a sale exchanging contract or agreeing terms with a buyer by the balance sheet date. In addition, its carrying amount is highly probable to be recovered within one year.

Income from the sale of assets is recognised when the significant risks and returns have been transferred to the buyer. In the case of sales of properties this is generally taken on completion of the contract. In the case of a part disposal agreement, the part of the asset being disposed will be derecognised from investment property when completion is reached or when a lease agreement is signed (i.e. when the risks and rewards of this part of the site transfer to the developer). Profit or loss on disposal is taken as the consideration receivable (net of costs) less the latest valuation (net book value) and is taken to other income/expense.

Consideration can take the form of cash, new commercial buildings and a right to future overage (generally being a share in the proceeds of any future sale of the residential development to be constructed by the developer). Revenue is recognised when all relevant criteria in IFRS 15 are met under the five-step model and recognised in the period they were earned.

Consideration (including overage) is measured at the fair value of the consideration received/receivable.

Commercial property to be received is fair valued using the residual method described in note 10 and is included in investment property. Changes in fair value are recognised through the consolidated income statement in accordance with IAS 40.

Overage is only recognised once an agreement has been signed with a residential developer. Overage represents a financial asset and is designated as a financial asset at fair value through profit or loss upon initial recognition. The carrying value of overage is assessed at each period end and changes in fair value are taken to other income/expense.

Acquisitions
An acquisition is recognised when the risks and rewards of ownership have transferred. This is usually on completion of the transaction. Asset acquisitions measures assets based on their cost, which is allocated to the property assets on a fair value basis, and includes directly related acquisition costs. Business combinations are accounted for using the acquisition method. Any excess of the purchase consideration over the fair value of the net assets acquired is recognised as goodwill, and reviewed annually for impairment. Any discount received or acquisition-related costs are recognised in the consolidated income statement.

Intangible assets
Intangible assets are stated at historical cost, less accumulated amortisation. Acquired computer software licences and external costs of implementing or developing computer software programs and websites are capitalised. These costs are amortised over their estimated useful lives of five years on a straight-line basis.

Costs associated with maintaining computer software programs are recognised as an expense as they fall due.

Property, plant and equipment
Equipment and fixtures
Equipment and fixtures are stated at historical purchase cost less accumulated depreciation and impairment. Historical cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Subsequent expenditure is charged to the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of each item can be reliably measured. All other repairs and maintenance costs are charged to the consolidated income statement during the period in which they are incurred.

Depreciation is provided using the straight-line method to allocate the cost less estimated residual value over the assets' estimated useful lives which range from four to ten years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at least at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Other investments
Investments in unlisted shares are accounted for under IFRS 9 at fair value, using a valuation multiple and financial information. Changes in fair value are shown in the consolidated statement of comprehensive income.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment based on the expected credit loss, which uses a lifetime expected loss allowance for all trade receivables based on the individual occupier's circumstance. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The provision is recorded in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS
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Deferred consideration on the disposal of investment properties is included within trade and other receivables. It is fair valued on recognition and at each year end with any movement taken to other expense.

Trade and other payables
Trade and other payables are initially recognised at fair value and subsequently held at amortised cost.

Cash and cash equivalents
Cash is represented by cash in hand, restricted cash in the form of tenants' deposits and deposits held on call with banks and money market funds. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Bank overdrafts are included in current liabilities but within cash and cash equivalents for the purpose of the consolidated cash flow statement.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, with any difference between the initial amount (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method, except for interest capitalised on redevelopments.

Foreign currency translation
Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Derivative financial instruments and hedge accounting
The Group enters into derivative transactions in order to manage its exposure to foreign currency fluctuations and interest rate risks. Financial derivatives are recorded at fair value calculated by valuation techniques based on market prices, estimated future cash flows and forward interest rates.

For financial derivatives (where hedge accounting is not applied) movements in fair value are recognised in the consolidated income statement. In line with IFRS 13, fair values of financial derivatives are measured at the estimated amount that the Group would receive or pay to terminate the agreement at the balance sheet date, taking into account the current interest expectations and current credit value adjustment of the counterparties.

The Group applies hedge accounting for certain derivatives that are designated and effective as hedges of future cash flows (cash flow hedges). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in note 16. Movements on the hedging reserve in other comprehensive income are shown in note 21.

For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the consolidated statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within other gains/(losses). Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, to offset the currency movement on borrowings that are hedged at each period end). The gain or loss relating to the effective portion of swaps hedging the currency of borrowings is recognised in the consolidated income statement.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Investment in own shares
The Group operates an Employee Share Ownership Trust ('ESOT') and a trust for the Share Incentive Plan ('SIP'). When the Group funds these trusts in order to purchase Company shares, the loan is deducted from shareholders' equity as investment in own shares.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision maker is the Executive Committee of the Company. As at 31 March 2022, the Group considers that it has only one operating segment, being a single portfolio of commercial property providing business accommodation for rent in London.

Revenue recognition
Revenue comprises rental income, service charges and other sums receivable from the Group's investment properties. Other sums comprise insurance charges as an agent (in line with IFRS 15), supplies of utilities, premia associated with surrender of tenancies, commissions, fees and other sundry income.

All the Group's properties are leased out under operating leases and are included in investment property in the consolidated balance sheet. In accordance with IFRS 16, rental income from leases is recognised in the consolidated income statement on a straight-line basis over the lease term. Rent received in advance is deferred in the consolidated balance sheet and recognised in the period to which it relates. If the Group provides significant incentives to its customers the incentives are recognised over the lease term on a straight-line basis.

Service charges and other sums receivable from tenants are recognised on an accruals basis by reference to the stage of completion of the relevant service or transactions at the reporting date. These services generally relate to a 12-month period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

In 2020, following the outbreak of Covid-19, Workspace provided assistance to its customers in the form of rent deferrals and rent discounts. Rent deferrals are recognised on a straight-line basis over the life of the lease. Rent discounts were provided to customers retrospectively and after the rent had been invoiced. These discounts are considered to be a partial extinguishment of the rent receivable and are treated as a derecognition of a financial asset in accordance with IFRS 9 in the period to which they relate to.

Direct costs
Direct costs comprise service charges and other costs directly recoverable from tenants and non-recoverable costs directly attributable to investment properties and other revenue streams.

Exceptional items
Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

Share based payments
The Group operates a number of share schemes under which the Group receives services from employees as consideration for equity instruments of the Group.

The fair value of the employee services received in exchange for the grant of share awards and options is recognised as an expense over the vesting period.

Fair value is measured by the use of Black-Scholes and Binomial Option Pricing Models. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Pensions
The Group operates a defined contribution pension scheme. Contributions are charged to the consolidated income statement on an accruals basis.

Taxation
Current income tax is tax payable on the taxable income for the year and any prior year adjustment, and is calculated using tax rates that are relevant to the financial year.

Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Compliance with the Real Estate Investment Trust ('REIT') taxation regime
The Group is a REIT and is thereby exempt from tax on both rental profits and chargeable gains from its UK property rental business.

In order to retain REIT status, certain ongoing criteria must be maintained. The main criteria are as follows:
- At the start of each accounting period, the assets of the tax-exempt business must be at least 75% of the total value of the Group's assets
- At least 75% of the Group's total profits must arise from the tax-exempt business
- At least 90% of the tax-exempt business earnings must be distributed

Dividend distributions
Final dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved, while interim dividends are recognised when paid.

1. ANALYSIS OF NET RENTAL INCOME AND SEGMENTAL INFORMATION

	2022			2021		
	Revenue £m	Direct costs[1] £m	Net rental income £m	Revenue £m	Direct costs £m	Net rental income £m
Rental income	104.3	(2.9)	101.4	118.0	(24.4)	93.6
Service charges	21.1	(25.9)	(4.8)	20.3	(24.6)	(4.3)
Empty rates and other non-recoverables	–	(10.6)	(10.6)	–	(7.1)	(7.1)
Services, fees, commissions and sundry income	7.5	(6.8)	0.7	4.0	(4.7)	(0.7)
	132.9	(46.2)	86.7	142.3	(60.8)	81.5

1. There are no properties within the current or prior period that are non-rent producing.

Included within direct costs for rental income and service charges in the period are amounts of £nil (2021: £17.8m) and £nil (2021: £2.1m) respectively, relating to discounts provided to customers, accounted for in accordance with IFRS 9. Additionally, a charge of £1.5m (2021: £4.2m) for expected credit losses in respect of receivables from customers is recognised in direct costs of rental income in the period.

All of the properties within the portfolio are geographically close to each other and have similar economic features and risks. Management information utilised by the Executive Committee to monitor and review performance is reviewed as one portfolio. As a result, for the year ended 31 March 2022, management have determined that the Group operates a single operating segment providing business accommodation for rent in London.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

2. OPERATING PROFIT/LOSS

The following items have been charged in arriving at operating profit/loss:

	2022 £m	2021 £m
Depreciation[1]	1.8	2.0
Staff costs (including share based costs)[1] (note 5)	19.6	20.1
Repairs and maintenance expenditure on investment properties	2.0	2.5
Trade receivables impairment (note 13)	1.5	3.5
Amortisation of intangibles	0.9	0.9
Audit fees payable to the Company's Auditor	0.3	0.2

1. Charged to direct costs and administrative expenses based on the underlying nature of the expenses.

Auditor's remuneration: services provided by the Company's Auditor and its associates	2022 £000	2021 £000
Audit fees:		
Audit of Parent Company and consolidated financial statements	245	207
Audit of subsidiary financial statements	35	33
	280	240
Fees for other services:		
Audit-related assurance services[1]	55	96
Total fees payable to Auditor	335	336

1. Audit-related assurance services consist of £40k for half year review (2021: £36k); £nil for ICMA letter (2021: £60k); and £15k for Green Bond use of Proceeds Assurance (2021: £nil).

	2022 £m	2021 £m
Total administrative expenses are analysed below:		
Staff costs	10.7	11.3
Cash-settled share based costs	–	0.2
Equity settled share based costs	1.6	2.3
Other	7.0	5.2
	19.3	19.0

3(A). PROFIT/ (LOSS) ON DISPOSAL OF INVESTMENT PROPERTIES

	2022 £m	2021 £m
Proceeds from sale of investment properties (net of sale costs)	117.3	11.0
Book value at time of sale	(109.5)	(11.1)
Profit/ (loss) on disposal	7.8	(0.1)

3(B). OTHER INCOME

	2022 £m	2021 £m
Sale of investment	0.6	–
	0.6	–

The Group disposed of the investment in Lovespace Ltd, resulting in a gain of £0.6m in the year.

3(C). OTHER EXPENSES

	2022 £m	2021 £m
Change in fair value of deferred consideration	–	0.2
	–	0.2

The value of deferred consideration (cash and overage) from the sale of investment properties has been revalued by CBRE Limited at 31 March 2022 and 31 March 2021. This resulted in a reduction in the fair value of deferred consideration of £nil at 31 March 2022 (31 March 2021: £0.2m). The amounts receivable are included in the consolidated balance sheet under current trade and other receivables (note 13).

4. FINANCE COSTS

	2022 £m	2021 £m
Interest payable on bank loans and overdrafts	(1.4)	(3.1)
Interest payable on other borrowings	(16.7)	(18.6)
Amortisation of issue costs of borrowings	(1.1)	(0.9)
Interest payable on leases	(1.7)	(1.6)
Interest capitalised on property refurbishments (note 10)	0.4	0.4
Foreign exchange losses on financing activities	–	(8.6)
Cash flow hedge – transfer from equity	–	8.6
Finance costs	(20.5)	(23.8)
Exceptional finance costs	–	(16.4)
Total finance costs	(20.5)	(40.2)

In the prior year, the exceptional finance costs related to the refinancing of the $100m and £84m private placement notes due 2023 which were repaid early in April 2021. An irrevocable notice for the repayment was given in March 2021. The costs included a £16.3m premium on redemption and £0.1m of unamortised finance costs.

All exceptional finance costs have been calculated in accordance with IFRS 9, re-estimating the cash flows based on the original effective interest rate with the adjustment being taken through P&L.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

5. EMPLOYEES AND DIRECTORS

Staff costs for the Group during the year were:	2022 £m	2021 £m
Wages and salaries	17.4	16.3
Social security costs	2.0	2.1
Other pension costs (note 27)	0.8	0.8
Cash-settled share based costs (note 23)	–	0.2
Equity-settled share based costs (note 23)	1.6	2.3
	21.8	21.7
Less costs capitalised	(2.2)	(1.6)
	19.6	20.1

The monthly average number of people employed during the year was:	2022 Number	2021 Number
Head office staff (including Directors)	124	121
Estates and property management staff	125	118
	249	239

The emoluments and pension benefits of the Directors are determined by the Remuneration Committee of the Board and are set out in detail in the Directors' Remuneration Report on pages 162 to 190. These form part of the financial statements.

Total Directors' emoluments for the financial year were £2.3m (2021: £1.7m), comprising of £2.2m (2021: £1.6m) of Directors' remuneration, £nil (2021: £nil) gain on exercise of share options and £0.1m (2021: £0.1m) of cash contributions in lieu of pension in respect of two Directors (2021: two).

6. TAXATION

	2022 £m	2021 £m
Current tax:		
UK corporation tax	–	–
Adjustments to tax in respect of previous periods	–	–
	–	–
Deferred tax:		
On origination and reversal of temporary differences	0.1	–
	0.1	–
Total taxation charge	0.1	–

Taxation chargeable in the year relates to income from non-REIT activities such as overage, meeting room income and utilities recharges.

The tax on the Group's profit for the year differs from the standard applicable corporation tax rate in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £m	2021 £m
Profit/ (loss) before taxation	124.0	(235.7)
Tax at standard rate of corporation tax in the UK of 19% (2021: 19%)	23.6	(44.8)
Effects of:		
REIT exempt income	(11.3)	(8.0)
Changes in fair value not subject to tax as a REIT	(13.1)	49.0
Share based payment adjustments	0.4	(0.1)
Unrecognised losses carried forward	0.4	3.8
Other non-taxable expenses	0.1	0.1
Total taxation charge	0.1	–

The Group is a Real Estate Investment Trust ('REIT'). The Group's UK property rental business (both income and capital gains) is exempt from tax. The Group estimates that as the majority of its future profits will be exempt from tax, future tax charges are likely to be low.

An increase in the rate of corporation tax was enacted on 24 May 2021 and, from 1 April 2023, the corporation tax rate will increase to 25%. This will increase the Company's future current tax charge accordingly. The deferred tax asset at the balance sheet date has been calculated at 19% (2021: 19%) expected to be utilised within 12 months.

The Group currently has an unrecognised asset in relation to tax losses from the non-REIT business carried forward of £7.3m (2021: £5.6m) calculated at a corporation tax rate of 25% (2021: 19%).

	2022 £m	2021 £m
Deferred tax assets:		
– Deferred tax to be recovered within 12 months	0.4	0.5
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered within 12 months	(0.1)	(0.1)
Deferred tax assets (net)	0.3	0.4

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

6. TAXATION CONTINUED

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Other income (overage receipts) £m	Total £m
At 1 April 2020	0.2	0.2
Credited to income statement	(0.1)	(0.1)
At 31 March 2021	0.1	0.1
Credited to income statement	–	–
At 31 March 2022	0.1	0.1

Deferred tax assets	Expenses (share based payment) £m	Tax losses £m	Total £m
At 1 April 2020	(0.6)	(0.2)	(0.8)
Other movement	–	0.2	0.2
Charged to income statement	0.1	–	0.1
At 31 March 2021	(0.5)	–	(0.5)
Charged to income statement	0.1	–	0.1
At 31 March 2022	(0.4)	–	(0.4)

7. DIVIDENDS

	Payment date	Per share	2022 £m	2021 £m
For the year ended 31 March 2020:				
Final dividend	August 2020	24.49p	–	44.2
For the year ended 31 March 2021:				
Final dividend	August 2021	17.75p	32.1	–
For the year ended 31 March 2022:				
Interim dividend	February 2022	7.0p	12.7	–
Dividends for the year			44.8	44.2
Timing difference on payment of withholding tax			(1.5)	2.1
Dividends cash paid			43.3	46.3

The Directors are proposing a final dividend in respect of the financial year ended 31 March 2022 of 14.5 pence per ordinary share, which will absorb an estimated £27.9m of revenue reserves and cash. If approved by the shareholders at the AGM, it will be paid on 5 August 2022 to shareholders who are on the register of members on 8 July 2022. The dividend will be paid as a REIT Property Income Distribution ('PID') net of withholding tax where appropriate.

8. EARNINGS PER SHARE

Earnings used for calculating earnings per share:	2022 £m	2021 £m
Basic and diluted earnings	123.9	(235.7)
Change in fair value of investment properties	(68.7)	257.7
Exceptional finance costs	–	16.4
(Profit)/ loss on disposal of investment properties	(7.8)	0.1
EPRA earnings	47.4	38.5
Adjustment for non-trading items:		
Other (income)/ expenses	(0.6)	0.2
Taxation	0.1	–
Trading profit after interest	46.9	38.7

Earnings have been adjusted to derive an earnings per share measure as defined by the European Public Real Estate Association ('EPRA') and an adjusted underlying earnings per share measure.

Number of shares used for calculating earnings per share:	2022 Number	2021 Number
Weighted average number of shares (excluding own shares held in trust)	180,983,916	180,839,945
Dilution due to share option schemes	998,280	–
Weighted average number of shares for diluted earnings per share	181,982,196	180,839,945

In pence:	2022	2021
Basic earnings/ (loss) per share	68.5p	(130.3p)
Diluted earnings/ (loss) per share	68.1p	(130.3p)
EPRA earnings per share	26.2p	21.3p
Adjusted underlying earnings per share[1]	25.8p	21.3p

1. Adjusted underlying earnings per share is calculated by dividing trading profit after interest by the diluted weighted average number of shares of 181,982,196 (2021: 181,831,833).

The diluted loss per share for the period to 31 March 2021 has been restricted to a loss of 130.3p per share, as the loss per share cannot be reduced by dilution in accordance with IAS 33 Earnings per Share.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

9. NET ASSETS PER SHARE AND TOTAL ACCOUNTING RETURN

Net assets used for calculating net assets per share:	2022 £m	2021 £m
Net assets at end of year (basic)	1,799.6	1,719.5
Derivative financial instruments at fair value	–	(8.7)
EPRA net assets	1,799.6	1,710.8

Number of shares used for calculating net assets per share:	2022 Number	2021 Number
Shares in issue at year end	181,125,259	181,113,594
Less own shares held in trust at year end	(162,113)	(159,139)
Dilution due to share option schemes	1,078,852	1,116,127
Number of shares for calculating diluted adjusted net assets per share	182,041,998	182,070,582

	2022	2021
EPRA net assets per share	£9.89	£9.40
Basic net assets per share	£9.94	£9.50
Diluted net assets per share	£9.89	£9.44

Net assets have been adjusted and calculated on a diluted basis to derive a net asset per share measure as defined by EPRA.

EPRA Net Asset Value Metrics

EPRA published updated best practice reporting guidance in October 2019, which included three new Net Asset Valuation metrics; EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV). This new set of EPRA NAV metrics came into full effect for accounting periods starting from 1 January 2020, presented below for comparison to the previous EPRA NAV metric.

	March 2022			March 2021		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to shareholders	1,799.6	1,799.6	1,799.6	1,719.5	1,719.5	1,719.5
Fair value of derivative financial instruments	–	–	–	(8.7)	(8.7)	–
Intangibles per IFRS balance sheet	–	(1.9)	–	–	(2.4)	–
Excess of book value of debt over fair value/ (Excess of fair value of debt over book value)	–	–	13.0	–	–	(22.2)
Purchasers' costs	163.3	–	–	158.1	–	–
EPRA measure	1,962.9	1,797.7	1,812.6	1,868.9	1,708.4	1,697.3
EPRA measure per share	£10.78	£9.88	£9.96	£10.26	£9.38	£9.32

Reconciliation to previously reported EPRA NAV

	March 2022			March 2021		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
EPRA NAV	1,799.6	1,799.6	1,799.6	1,710.8	1,710.8	1,710.8
Include fair value of derivative financial instruments	–	–	–	–	–	8.7
Exclude intangibles per IFRS balance sheet	–	(1.9)	–	–	(2.4)	–
Excess of book value of debt over fair value/ (Excess of fair value of debt over book value)	–	–	13.0	–	–	(22.2)
Purchasers' costs	163.3	–	–	158.1	–	–
EPRA measure	1,962.9	1,797.7	1,812.6	1,868.9	1,708.4	1,697.3

Total accounting return

Total Accounting Return	2022 £	2021 £
Opening EPRA net tangible assets per share (A)	9.38	10.88
Closing EPRA net tangible assets per share	9.88	9.38
Increase/ (decrease) in EPRA net tangible assets per share	0.50	(1.50)
Ordinary dividends paid in the year	0.25	0.24
Total return (B)	0.75	(1.26)
Total accounting return (B/A)	8.0%	(11.5%)

The total accounting return for the year comprises the growth in absolute EPRA net tangible assets per share plus dividends paid in the year as a percentage of the opening EPRA net tangible assets per share. The total return for the year ended 31 March 2022 was 8.0% (31 March 2021: (11.5%)).

10. INVESTMENT PROPERTIES

	2022 £m	2021 £m
Balance at 1 April	2,349.9	2,586.3
Purchase of investment properties	88.4	–
Capital expenditure	30.0	22.8
Change in value of lease obligations	4.7	(1.9)
Capitalised interest on refurbishments (note 4)	0.4	0.4
Disposals during the year	(109.5)	–
Change in fair value of investment properties	68.7	(257.7)
Less: Classified as assets held for sale	(65.9)	–
Balance at 31 March	2,366.7	2,349.9

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

10. INVESTMENT PROPERTIES CONTINUED

Investment properties represent a single class of property, being business accommodation for rent in London. Capitalised interest is included at a rate of capitalisation of 3.0% (2021: 3.7%). The total amount of capitalised interest included in investment properties is £14.9m (2021: £14.5m). The change in fair value of investment properties is recognised in the consolidated income statement.

Investment properties include buildings with a carrying amount of £315m (2021: £271m) held under leases with a carrying amount of £31.0m (2021: £26.3m). Investment property lease commitment details are shown in note 17.

Two properties were reclassified as held for sale at year end and have been classified as current assets. One of these properties has exchanged for sale and the other has agreed terms with a buyer, both are likely to complete within the next 12 months. The value they have been transferred at is their year end valuation per CBRE less costs for sale.

Valuation

The Group's investment properties are held at fair value and were revalued at 31 March 2022 by the external valuer, CBRE Limited, a firm of independent qualified valuers in accordance with the Royal Institution of Chartered Surveyors Valuation – Global Standards at this balance sheet date. All the properties are revalued at period end regardless of the date of acquisition. In line with IFRS 13, all investment properties are valued on the basis of their highest and best use. For like-for-like properties their current use equates to the highest and best use. For properties undergoing refurbishment or redevelopment, most of these are currently being used for business accommodation in their current state. However, the valuation is based on the current valuation at the balance sheet date including the impact of the potential refurbishment and redevelopment as this represents the highest and best use.

The Executive Committee and the Board both conduct a detailed review of each property valuation to review appropriate assumptions have been applied. Meetings are held with the valuers to review and challenge the valuations, to confirm that they have considered all relevant information, and rigorous reviews are performed to check that valuations are sensible. In the prior year, they discussed the impact on the valuation of the Covid-19 rent reductions. They are satisfied with the valuer's conclusions.

The valuation of like-for-like properties (which are not subject to refurbishment or redevelopment) is based on the income capitalisation method which applies market-based yields to the Estimated Rental Values ('ERVs') of each of the properties. Yields are based on current market expectations depending on the location and use of the property. ERVs are based on estimated rental potential considering current rental streams and market comparatives whilst also considering the occupancy and timing of rent reviews at each property. Although occupancy and rent review timings are known, and there is market evidence for transaction prices for similar properties, there is still a significant element of estimation and judgement in estimating ERVs. As a result of adjustments made to market observable data, the significant inputs are deemed unobservable under IFRS 13.

When valuing properties being refurbished by Workspace, the residual value method is used. The completed value of the refurbishment is determined as for like-for-like properties above. Capital expenditure required to complete the building is then deducted and a discount factor is applied to reflect the time period to complete construction and allowance made for construction and market risk to arrive at the residual value of the property.

The discount factor used is the property yield that is also applied to the estimated rental value to determine the value of the completed building. Other risks such as unexpected time delays relating to planned capital expenditure are assessed on a project-by-project basis, looking at market comparable data where possible and the complexity of the proposed scheme.

Redevelopment properties are also valued using the residual value method. The completed proposed redevelopment which would be undertaken by a residential developer is valued based on the market value for similar sites and then adjusted for costs to complete, developer's profit margin and a time discount factor. Allowance is also made for planning and construction risk depending on the stage of the redevelopment. If a contract is agreed for the sale/redevelopment of the site, the property is valued based on agreed consideration.

For all methods, the valuers are provided with information on tenure, letting, town planning and the repair of the buildings and sites.

The reconciliation of the valuation report total to the amount shown in the consolidated balance sheet as non-current assets, investment properties, is as follows:

	2022 £m	2021 £m
Total per CBRE valuation report	2,402.2	2,324.2
Deferred consideration on sale of property	(0.6)	(0.6)
Head leases treated as leases under IFRS 16	31.0	26.3
Less: Reclassified as assets held for sale	(65.9)	–
Total investment properties per balance sheet	2,366.7	2,349.9

The Group's investment properties are carried at fair value and under IFRS 13 are required to be analysed by level depending on the valuation method adopted. The different valuation methods are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2 – Use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data.
Level 3 – Use of a model with inputs that are not based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

10. INVESTMENT PROPERTIES CONTINUED
Valuation continued

As noted in the significant judgements, key assumptions and estimates section, property valuations are complex and involve data which is not publicly available and involves a degree of judgement. All the investment properties are classified as Level 3, due to the fact that one or more significant inputs to the valuation are not based on observable market data. If the degree of subjectivity or nature of the measurement inputs changes then there could be a transfer between Levels 2 and 3 of classification. No changes requiring a transfer have occurred during the current or previous year.

The following table summarises the valuation techniques and inputs used in the determination of the property valuation for 31 March 2022.

Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	1,865.1	A	£20-£66	£42	4.1%-7.3%	5.5%
Completed projects	185.6	A	£21-£44	£28	4.9%-6.4%	5.6%
Refurbishments	161.3	A/B	£18-34	£25	3.6%-6.4%	5.3%
Redevelopments	35.3	A/B	£13-25	£16	4.5%-6.5%	6.0%
Acquisitions	88.4	A	£33-£53	£40	4.9%-5.8%	5.4%
Head leases	31.0	n/a	–	–	–	–
Total	2,366.7					

A = Income capitalisation method.
B = Residual value method.

A key unobservable input for redevelopments at planning stage and refurbishments is developer's profit. The range is 13%–19% with a weighted average of 14%.

Costs to complete is a key unobservable input for redevelopments at planning stage with a range of £213–£280 per sq. ft. and a weighted average of £250 per sq. ft.

Costs to complete are not considered to be a significant unobservable input for refurbishments due to the high percentage of costs that are fixed.

Sensitivity analysis:
A +/- 10% movement in ERVs or a +/- 25 basis points movement in yields would result in the following increase/decrease in the valuation.

£m	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+186/-186	-82/+90
Completed projects	+19/-19	-8/+9
Refurbishments	+17/-17	-8/+9
Redevelopments	+4/-4	-1/+1
Acquisitions	+9/-9	-4/+4

The following table summarises the valuation techniques and inputs used in the determination of the property valuation at 31 March 2021.

Key unobservable inputs:

			ERVs – per sq. ft.		Equivalent yields	
Property category	Valuation £m	Valuation technique	Range	Weighted average	Range	Weighted average
Like-for-like	1,790.5	A	£12-£68	£42	4.5%-7.4%	5.8%
Completed projects	180.7	A	£19-£48	£31	4.5%-6.5%	5.7%
Refurbishments	255.7	A/B	£20-£70	£36	3.85-6.6%	5.1%
Redevelopments	96.7	A/B	£14-£33	£20	3.9%-6.7%	5.3%
Head leases	26.3	n/a	–	–	–	–
Total	2,349.9					

A = Income capitalisation method.
B = Residual value method.

A key unobservable input for redevelopments at planning stage and refurbishments is developer's profit. The range is 14%–19% with a weighted average of 16%.

Costs to complete is a key unobservable input for redevelopments at planning stage with a range of £213–£242 per sq. ft. and a weighted average of £232 per sq. ft.

Costs to complete are not considered to be a significant unobservable input for refurbishments due to the high percentage of costs that are fixed.

Sensitivity analysis:
A +/- 10% movement in ERVs or a +/- 25 basis points movement in yields would result in the following increase/decrease in the valuation.

£m	+/- 10% in ERVs	+/- 25 bps in yields
Like-for-like	+179/–179	–74/+81
Completed projects	+18/–18	–8/+8
Refurbishments	+28/–28	–16/+17
Redevelopments	+9/–7	–3/+5

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

11. PROPERTY, PLANT AND EQUIPMENT

Cost or valuation	Equipment and fixtures £m
1 April 2020	11.0
Additions during the year	1.2
Disposals during the year	(1.6)
Balance at 31 March 2021	10.6
Additions during the year	0.7
Disposals during the year	(1.8)
Balance at 31 March 2022	9.5

Accumulated depreciation	
1 April 2020	6.2
Charge for the year	2.0
Disposals during the year	(1.6)
Balance at 31 March 2021	6.6
Charge for the year	1.8
Disposals during the year	(1.8)
Balance at 31 March 2022	6.6

Net book amount at 31 March 2022	2.9
Net book amount at 31 March 2021	4.0

12. OTHER INVESTMENTS
The Group holds the following investments:

	2022 £m	2021 £m
2.8% of share capital of Wavenet Limited (2021: 0%)	1.7	–
0% of share capital of Excell Holdings Limited (2021: 15%)	–	7.9
	1.7	7.9

Within the year, Wavenet Limited purchased the entire share capital in Excell Holdings Limited. As a result, the Group received cash of £6.2m and acquired 2.8% of share capital in Wavenet Limited.

In accordance with IFRS 9 the shares in Wavenet Limited have been valued at fair value, resulting in no movement in the financial year (2021: no movement in Excell Holdings Limited), recognised in the consolidated statement of comprehensive income.

In addition, included within other income (note 3(b)) is £0.6m for the sale of investment in Lovespace Ltd which was previously written off.

13. TRADE AND OTHER RECEIVABLES

Current trade and other receivables	2022 £m	2021 £m
Trade receivables	11.9	16.0
Less provision for impairment of receivables	(5.2)	(4.6)
Trade receivables – net	6.7	11.4
Prepayments, other receivables and accrued income	16.2	12.8
Deferred consideration on sale of investment properties	0.6	5.1
	23.5	29.3

Receivables at fair value
Included within deferred consideration on sale of investment properties is £0.6m (2021: £0.6m) of overage which is held at fair value through profit and loss. In the current year, as the amounts receivable are expected within the following 12 months they have been classified as current receivables.

The deferred consideration arising on the sale of investment properties relates to cash and overage. The overage has been fair valued by CBRE Limited using appropriate discount rates, and will be revalued on a regular basis. This is a Level 3 valuation of a financial asset, as defined by IFRS 13. The change in fair value recorded in the consolidated income statement, including both current and non-current elements, was £nil (31 March 2021: loss of £0.2m) (note 3(c)).

	2022 £m	2021 £m
Deferred consideration on sale of investment properties:		
Balance at 1 April	5.1	5.3
Cash received	(4.5)	–
Change in fair value	–	(0.2)
Balance at 31 March	0.6	5.1

Receivables at amortised cost
The remaining receivables are held at amortised cost. There is no material difference between the above amounts and their fair values due to the short-term nature of the receivables. Trade receivables are impaired when there is evidence that the amounts may not be collectable under the original terms of the receivable. All the Group's trade and other receivables are denominated in Sterling.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

13. TRADE AND OTHER RECEIVABLES CONTINUED

Movements on the provision for impairment of trade receivables are shown below:

	2022 £m	2021 £m
Balance at 1 April	4.6	1.1
Increase in provision for impairment of trade receivables	1.5	4.3
Receivables written off during the year	(0.9)	(0.8)
Balance at 31 March	5.2	4.6

14. CASH AND CASH EQUIVALENTS

	2022 £m	2021 £m
Cash at bank and in hand	42.3	183.6
Restricted cash – tenants' deposit deeds	6.7	7.4
	49.0	191.0

Tenants' deposit deeds represent returnable cash security deposits received from tenants and are held in ring-fenced bank accounts in accordance with the terms of the individual lease contracts.

15. TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Trade payables	13.2	10.4
Other tax and social security payable	3.8	3.6
Tenants' deposit deeds (note 14)	6.7	7.4
Tenants' deposits	26.5	20.7
Accrued expenses	27.4	43.4
Deferred income – rent and service charges	8.2	9.5
	85.8	95.0

There is no material difference between the above amounts and their fair values due to the short-term nature of the payables.

16. BORROWINGS

(a) Balances

	2022 £m	2021 £m
Current		
5.6% Senior US Dollar Notes 2023 (unsecured)	–	72.6
5.53% Senior Notes 2023 (unsecured)	–	84.0
Non-current		
Bank loans (unsecured)	(2.1)	(0.8)
3.07% Senior Notes (unsecured)	79.9	79.8
3.19% Senior Notes (unsecured)	119.8	119.7
3.6% Senior Notes (unsecured)	99.8	99.8
Green Bond (unsecured)	298.1	297.7
	595.5	752.8

In March 2021, the Group issued a Green Bond of £300m. At year end, the bank loan facilities were undrawn, there are unamortised finance costs of £2.1m (2021: £0.8m) included within borrowings.

(b) Net debt

	2022 £m	2021 £m
Borrowings per (a) above	595.5	752.8
Adjust for:		
Cost of raising finance	4.5	3.8
Foreign exchange differences	–	(8.1)
	600.0	748.5
Cash at bank and in hand (note 14)	(42.3)	(183.6)
Net debt	557.7	564.9

At 31 March 2022, the Group had £400m (2021: £250m) of undrawn bank facilities, a £2m overdraft facility (2021: £2m) and £42.3m of unrestricted cash (2021: £183.6m).

Net debt represents borrowing facilities drawn, less cash at bank and in hand. It excludes impacts of foreign exchange differences as these are fixed via swaps, lease obligations and any cost of raising finance as they have no future cash flows.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

16. BORROWINGS CONTINUED
(c) Maturity

	2022 £m	2021 £m
Repayable within one year	–	148.5
Repayable between three years and four years	80.0	–
Repayable between four years and five years	80.0	80.0
Repayable in five years or more	440.0	520.0
	600.0	748.5
Cost of raising finance	(4.5)	(3.8)
Foreign exchange differences	–	8.1
	595.5	752.8

(d) Interest rate and repayment profile

	Principal at period end £m	Interest rate	Interest payable	Repayable
Current				
Bank overdraft due within one year or on demand	–	Base+2.25%	Variable	On demand
Non-current				
Private Placement Notes:				
3.07% Senior Notes	80.0	3.07%	Half yearly	August 2025
3.19% Senior Notes	120.0	3.19%	Half yearly	August 2027
3.6% Senior Notes	100.0	3.6%	Half yearly	January 2029
Bank Loan	–	SONIA + 1.65%[2]	Monthly	December 2024
Bank Loan	–	SONIA + 1.75%[1]	Monthly	September 2023
Green Bond	300.0	2.25%	Half yearly	March 2028
	600.0			

1. This is an average over the life of the debt. This ranges from SONIA + 1.5% – 2.15% based on the remaining life of the loan.
2. There are 3 ESG linked metrics which can fluctuate the interest by up to 4.5 BPS.

(e) Derivative financial instruments

The Group had cross currency swaps to ensure the US Dollar liability streams generated from the US Dollar Notes were fully hedged into Sterling for the life of the transaction. Through entering into cross currency swaps the Group created a synthetic Sterling fixed rate liability totalling £64.5m at 31 March 2021.

These swaps were designated as a cash flow hedge with changes in fair value dealt with in other comprehensive income. The Group previously elected to continue applying hedge accounting as set out in IAS 39 to these swaps as permitted by IFRS 9. The cash flow hedge was terminated during the year ended 31 March 2022 in line with the repayment of the US Dollar Notes in April 2021 and therefore there is nil notional amount at this date.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The critical terms of this hedging relationship perfectly matched at origination, so for the prospective assessment of effectiveness a qualitative assessment was performed. Quantitative retrospective effectiveness tests using the hypothetical derivative method are performed at each period end to determine the continuing effectiveness of the relationship. Sources of hedge ineffectiveness include credit risk or changes made to the critical terms of the hedged item or the hedged instrument.

The effects of the cash flow US Dollar swap hedging relationship is as follows:

	2022	2021
Carrying amount of derivative (£m)	–	8.7
Change in fair value of designated hedging instrument (£m)	–	(9.8)
Change in fair value of designated hedged item (£m)	–	8.6
Notional amount (£m)	–	64.5
Notional amount ($m)	–	100
Rate payable (%)	–	5.66%
Maturity	–	June 2023
Hedge ratio	–	1:1

The cash flow hedge was terminated in line with the repayment of the US Dollar Notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

16. BORROWINGS CONTINUED
(f) Financial instruments and fair values

	2022 Book value £m	2022 Fair value £m	2021 Book value £m	2021 Fair value £m
Financial liabilities held at amortised cost				
Bank loans	(2.1)	(2.1)	(0.8)	(0.8)
Private Placement Notes	299.5	301.8	455.9	478.1
Lease obligations	31.0	31.0	26.3	26.3
Green Bond	298.1	282.8	297.7	297.7
	626.5	613.5	779.1	801.3
Financial assets at fair value through other comprehensive income				
Derivative financial instruments:				
Cash flow hedge – derivatives used for hedging	–	–	8.7	8.7
Other investments	1.7	1.7	7.9	7.9
	1.7	1.7	16.6	16.6
Financial assets at fair value through profit or loss				
Deferred consideration (overage)	0.6	0.6	5.1	5.1
	0.6	0.6	5.1	5.1

In accordance with IFRS 13 disclosure is required for financial instruments that are carried or disclosed in the financial statements at fair value. The fair values of all the Group's financial derivatives, bank loans and Private Placement Notes, have been determined by reference to market prices and discounted expected cash flows at prevailing interest rates and are Level 2 valuations. There have been no transfers between levels in the year.

The different levels of valuation hierarchy as defined by IFRS 13 are set out in note 10.

(g) Financial instruments by category

Assets	2022 £m	2021 £m
a) Assets at fair value through profit or loss		
Deferred consideration (overage)	0.6	5.1
	0.6	5.1
b) Loans and receivables		
Cash and cash equivalents	49.0	191.0
Trade and other receivables excluding prepayments[1]	8.4	14.5
	57.4	205.5
c) Assets at value through other comprehensive income		
Cash flow hedge – derivatives used for hedging	–	8.7
Other investments	1.9	7.9
	1.9	16.6
Total	59.9	227.2

Liabilities	2022 £m	2021 £m
Other financial liabilities at amortised cost		
Borrowings	595.5	752.8
Lease liabilities	31.0	26.3
Trade and other payables excluding non-financial liabilities[2]	73.8	81.9
	700.3	861.0

1. Trade and other receivables exclude prepayments of £14.5m (2021: £9.7m) and non-cash deferred consideration of £0.6m (2021: £5.1m).
2. Trade and other payables exclude other tax and social security of £3.8m (2021: £3.6m), corporation tax of £nil (2021: £nil) and deferred income of £8.2m (2021: £9.5m).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

16. BORROWINGS CONTINUED
(h) Changes in liabilities from financing activities

	Bank loans and borrowings £m	Lease liabilities £m	Derivatives used for hedging-assets £m
Balance at 1 April 2020	626.2	28.2	18.5
Changes from financing cash flows:			
Proceeds from bank borrowings and Private Placement Notes	54.0	–	–
Repayment of bank borrowings and Private Placement Notes	(217.0)	–	–
Proceeds from Green Bond	299.5	–	–
Total changes from cash flows	136.5	–	–
Changes in fair value of derivative financial instruments	–	–	(9.8)
Foreign exchange differences	(8.5)	–	–
Amortisation of issue costs of borrowing	(1.4)	–	–
Changes in leases	–	(1.9)	–
Interest payable	21.7	1.6	–
Interest paid	(21.7)	(1.6)	–
Total other changes	(9.9)	(1.9)	(9.8)
Balance at 31 March 2021	752.8	26.3	8.7

	Bank loans and borrowings £m	Lease liabilities £m	Derivatives used for hedging-assets £m
Balance at 1 April 2021	752.8	26.3	8.7
Changes from financing cash flows:			
Proceeds from bank borrowings	25.0	–	–
Repayment of bank borrowings and Private Placement Notes	(173.5)	–	–
Finance costs for new/amended borrowing facilities	(1.3)		
Repayment of derivatives	–	–	(0.7)
Total changes from cash flows	(149.8)	–	(0.7)
Changes in fair value of derivative financial instruments	–	–	–
Foreign exchange differences	(8.6)	–	(8.0)
Amortisation of issue costs of borrowing	1.1	–	–
Changes in leases	–	4.7	–
Interest payable	18.8	1.7	–
Interest paid	(18.8)	(1.7)	–
Total other changes	(7.5)	4.7	(8.0)
Balance at 31 March 2022	595.5	31.0	–

17. LEASE OBLIGATIONS
Lease liabilities are in respect of leased investment property.

Minimum lease payments under leases fall due as follows:

	2022 £m	2021 £m
Within one year	1.9	1.6
Between two and five years	7.4	6.6
Between five and fifteen years	18.6	16.4
Beyond fifteen years	162.4	132.0
	190.3	156.6
Future finance charges on leases	(159.3)	(130.3)
Present value of lease liabilities	31.0	26.3

Following the adoption of IFRS 16, lease obligations are shown separately on the face of the balance sheet. The balance represents a non-current liability as the payment shown within one year of £1.7m (2021: £1.6m) is offset by future finance charges on leases of £1.7m (2021: £1.6m). All lease obligations are long leaseholds, therefore, the majority of the obligations fall beyond fifteen years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

The Group has identified exposure to the following financial risks:
- Market risk
- Credit risk
- Liquidity risk
- Capital risk management

The policies for managing each of these risks and the principal effects of these policies on the results for the year are summarised below:

(a) Market risk

Market risk is the risk that changes in market conditions will affect the Group's interest rates. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group finances its operations through a mixture of retained profits and borrowings. The Group borrows at both fixed and floating rates of interest. At 31 March 2022 100% (2021: 100%) of Group borrowings were fixed.

All transactions entered into are approved by the Board and are in accordance with the Group's treasury policy. The Board also monitors variances on interest rates to budget and forecast rates to ensure that the risk relating to interest rates is being sufficiently safeguarded against. As at year end all our drawn borrowings were at fixed interest rates; a reasonably possible interest rate movement of +/-0.5% would have increased or decreased net interest payable by £nil (2021: £nil).

The interest cover covenant in relation to Group borrowings is a ratio of 2.0x and the Group targets a minimum cover of 2.5x. As at 31 March 2022 interest cover was 4.8x. Interest cover is calculated as net rental income divided by finance costs (excluding exceptional finance costs).

(b) Credit risk

The Group's main financial assets are cash and cash equivalents, deposits with banks and financial institutions and trade and other receivables.

Credit risk is the risk of financial loss if a tenant or a counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to this risk principally relates to the receivables from tenants, deferred consideration on the sale of investment property and cash and cash equivalent balances held with counterparties.

The Group's exposure to credit risk in relation to receivables from tenants is influenced mainly by the characteristics of individual tenants occupying its rental properties. The Group has around 4,482 lettable units at 57 properties with overall occupancy of 84.3%. The largest 10 single tenants generate around 13% of net rent roll. As such, the credit risk attributable to individual tenants is low.

The Group's credit risk in relation to tenants is further managed by requiring that tenants provide a deposit equivalent to three months' rent on inception of lease as security against default. Total tenant deposits held are £33.2m (2021: £28.1m). The Group monitors aged debt balances and any potential bad debts every week, the information being reported to the Executive Committee every month as part of the performance monitoring process. The Group's debt recovery is consistently high and as such is deemed a low risk area.

In light of Covid-19 the Group's exposure to credit risk may be higher in the short term as customers deal with the unprecedented impact of the pandemic.

Deferred consideration (cash and overage) on the sale of investment properties is contractual and valued regularly by the external valuer based on current and future market factors. Cash and cash equivalents and financial derivatives are held with major UK high street banks or building societies and strict counterparty limits are operated on deposits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2022 £m	2021 £m
Cash and cash equivalents (note 14)	49.0	191.0
Trade receivables – current (note 13)	6.7	11.4
Deferred consideration – current (note 13)	0.6	5.1
	56.3	207.5

The Group's assessment of expected credit losses involves estimation given its forward-looking nature. This is not considered to be an area of significant judgement or estimation due to the balance of gross rent and other tenant receivables of £11.9m (2021: 16.0m). Assumptions used in the forward-looking assessment are continually reviewed to take into account likely rent deferrals.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY CONTINUED

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to target a minimum headroom on loan facilities of £50m, so as to enable it to have sufficient funds to meet financial obligations as they fall due. This is performed via a variety of methods including daily cash flow review and forecasting, monthly monitoring of the maturity profile of debt and the regular revision of borrowing facilities in relation to the Group's requirements and strategy. The Board reviews compliance with loan covenants which include agreed interest cover and loan to value ratios, alongside review of available headroom on loan facilities.

To manage its liquidity effectively, the Group has an overdraft facility of £2m (2021: £2m), a revolving loan facility of £200m (2021: £250m) and acquisition loan facility of £200m (2021: £nil). At 31 March 2022 headroom excluding overdraft and cash was £400m (31 March 2021: £250m).

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities, derivative financial instruments and trade and other payables existing at the balance sheet date. Contracted cash flows are based upon the loan balances and applicable interest rates payable on these at each year end.

31 March 2022	Carrying[2] amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
Financial liabilities						
Private Placement Notes	300.0	9.9	9.9	9.9	322.6	352.3
Green Bond	300.0	6.8	6.8	6.8	319.5	339.9
Lease liabilities	31.0	1.9	1.9	1.9	187.8	193.5
Trade and other payables[1]	73.8	73.8	–	–	–	73.8
	704.8	92.4	18.6	18.6	829.9	959.5

31 March 2021	Carrying[2] amount £m	Due within 1 year £m	Due between 1 and 2 years £m	Due between 2 and 3 years £m	Due 3 years and beyond £m	Total contracted cash flows £m
Financial liabilities						
Private Placement Notes	448.5	158.4	9.9	9.9	332.3	510.5
Green Bond	300.0	6.8	6.8	6.8	326.1	346.5
Lease liabilities	26.3	1.6	1.6	1.6	151.8	156.6
Trade and other payables[1]	81.9	81.9	–	–	–	81.9
	856.7	248.7	18.3	18.3	810.2	1,095.5

1. Trade and other payables exclude other tax and social security of £3.8m (2021: £3.6m), corporation tax of £nil (2021: £nil) and deferred income of £8.2m (2021: £9.5m).
2. Excludes unamortised borrowing costs.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, and monitor an appropriate mix of debt and equity financing.

Equity comprises issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. Debt comprises the Green Bond, revolving loan facilities from banks, Private Placement Notes less cash at bank and in hand.

At 31 March 2022 Group equity was £1,799.6m (2021: £1,719.5m) and Group net debt (debt less cash at bank and in hand) was £557.7m (2021: £564.9m). Group gearing at 31 March 2022 was 31% (2021: 33%).

The Group's borrowings are all unsecured. The loan to value covenant applicable to these borrowings is 60% and compliance is being met comfortably. Loan to value at 31 March 2022 was 23%. This is calculated using the total CBRE investment property valuation (as per note 10) and the current net debt (as per note 16(b)). Our target is to maintain loan to value below 30%. This may from time-to-time be exceeded up to a maximum of 40% as steps are taken to reduce loan to value to below 30%.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

19. NOTES TO CASH FLOW STATEMENT

Reconciliation of profit for the year to cash generated from operations:

	2022 £m	2021 £m
Profit/ (loss) before tax	124.0	(235.7)
Depreciation	1.8	2.0
Amortisation of intangibles	0.9	0.9
(Profit)/ loss on disposal of investment properties	(7.8)	0.1
Other (income)/ expenses	(0.6)	0.2
Net (profit)/ loss from change in fair value of investment property	(68.7)	257.7
Equity-settled share based payments	1.6	2.5
Finance costs	20.5	23.8
Exceptional finance costs	–	16.4
Changes in working capital:		
Decrease/ (increase) in trade and other receivables	1.4	(4.4)
Increase/ (decrease) in trade and other payables	7.4	(1.1)
Cash generated from operations	80.5	62.4

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2022 £m	2021 £m
Cash at bank and in hand	42.3	183.6
Restricted cash – tenants' deposit deeds	6.7	7.4
	49.0	191.0

20. SHARE CAPITAL AND SHARE PREMIUM

	2022 £m	2021 £m
Issued: Fully paid ordinary shares of £1 each	181.1	181.1

Movements in share capital were as follows:	2022 Number	2021 Number
Number of shares at 1 April	181,113,594	180,747,868
Issue of shares	11,665	365,726
Number of shares at 31 March	181,125,259	181,113,594

The Group issued 11,665 shares (2021: 365,726 shares) during the year to satisfy the exercise of share options with net proceeds of £nil (2021: £0.1m).

	Share capital		Share premium	
	2022 £m	2021 £m	2022 £m	2021 £m
Balance at 1 April	181.1	180.7	295.4	295.1
Issue of shares	–	0.4	0.1	0.3
Balance at 31 March	181.1	181.1	295.5	295.4

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

21. OTHER RESERVES

	Other investment reserve £m	Equity-settled share based payments £m	Merger reserve £m	Hedging reserve £m	Total £m
Balance at 1 April 2020	2.1	20.2	8.7	1.2	32.2
Share based payments	–	2.5	–	–	2.5
Issue of shares	–	(0.4)	–	–	(0.4)
Change in fair value of derivative financial instruments (cash flow hedge)	–	–	–	(1.2)	(1.2)
Balance at 31 March 2021	2.1	22.3	8.7	–	33.1
Share based payments	–	1.6	–	–	1.6
Issue of shares	–	–	–	–	–
Recycled to retained earnings	(2.1)	–	–	–	(2.1)
Balance at 31 March 2022	–	23.9	8.7	–	32.6

The Group sold its investment in Excell Holdings Limited realising a gain recognised in previous periods which has been recycled to retained earnings.

22. INVESTMENT IN OWN SHARES

The Company has an Employee Share Ownership Trust ('ESOT') and a trust for the Share Incentive Plan ('SIP'). Shares are purchased in the market for distribution at a later date in accordance with the terms of the various share schemes. The shares are held by independent trustees. At 31 March 2022 the number of shares held by the ESOT totalled 75,226 (2021: 75,226).

The SIP is governed by HMRC rules (note 23). At 31 March 2022 the number of shares held for the SIP totalled 86,887 (2021: 83,913).

	2022 £m	2021 £m
Balance at 1 April	9.6	9.6
Shares purchased for the trusts	0.3	–
Balance at 31 March	9.9	9.6

23. SHARE BASED PAYMENTS

The Group operates a number of share schemes:

(a) Long Term Incentive Plan ('LTIP')

The LTIP scheme is a performance award scheme whereby shares are issued against Group performance measures which are assessed over the three-year vesting period.

The performance measures are:
- Relative TSR
- Total Property Return compared to the IPD benchmark

The shares are issued at nil cost to the individuals provided the performance conditions are met.

Under the 2021 LTIP scheme 495,474 performance shares were awarded in June 2021 and 25,781 in November 2021 to Directors and Senior Management (2020 LTIP scheme: 650,475).

Details of the movements for the LTIP scheme during the year were as follows:

	LTIP Number
At 1 April 2020	1,219,382
Granted	650,475
Exercised	(357,428)
Lapsed	(146,137)
At 31 March 2021	1,366,292
Granted	521,255
Exercised	–
Lapsed	(500,681)
At 31 March 2022	1,386,866

The 2018 LTIP scheme was due to vest in June 2021 but did not, therefore, no shares were exercised during the year. The average closing share price at the date of exercise of shares exercised during the year was therefore £nil (2017 LTIP scheme: £5.85).

A binomial model was used to determine the fair value of the LTIP grant for the Relative TSR element of the schemes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

23. SHARE BASED PAYMENTS CONTINUED

Assumptions used in the model were as follows:

	November 2021 LTIP	June 2021 LTIP	2020 LTIP	2019 LTIP
Share price at grant	841p	842p	706p	862p
Exercise price	Nil	Nil	Nil	Nil
Average expected life (years)	3	3	3	3
Risk-free rate	0.49%	0.16%	0.61%	0.52%
Average share price volatility	42.6%	39.5%	35%	21%
Correlation	47%	45%	46%	49%
TSR starting factor	1.14	1.11	0.65	0.92
Fair value per option – Relative TSR element	446p	475p	207p	322p

The Total Property Return compared to the IPD benchmark is a non-market based condition and the intrinsic value is therefore the share price at date of grant of 842p for the 2021 LTIP Scheme in June and 841p for the 2021 LTIP Scheme in November. At each balance sheet date, the Directors will assess the likelihood of meeting the conditions under this element of the scheme. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity. The assessment at year end for the 2021 LTIP Scheme was that 100% of the Total Property Return element will vest (LTIP 2020: 100%, LTIP 2019: 50%).

The expected Workspace share price volatility was determined by taking account of the daily share price movement over a three-year period. The respective FTSE 250 Real Estate share price volatility and correlations were also determined over the same period. The average expected term to exercise used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions and historical experience.

The risk-free rate has been determined from market yield curves for government zero-coupon bonds with outstanding terms equal to the average expected term to exercise for each relevant grant.

(b) Employee share option schemes

The Group operates a Save As You Earn ('SAYE') share option scheme. Grants under the SAYE scheme are normally exercisable after three or five years' saving. In accordance with UK practice, the majority of options under the SAYE schemes are granted at a price 20% below the market price ruling at the date of grant.

Details of the movements for the SAYE schemes during the year were as follows:

	SAYE	
Options outstanding	Number	Weighted exercise price
At 1 April 2020	212,021	£7.21
Options granted	339,896	£5.31
Options exercised	(8,298)	£6.96
Options lapsed	(179,770)	£6.90
At 31 March 2021	363,849	£5.60
Options granted	46,554	£6.70
Options exercised	(11,665)	£7.44
Options lapsed	(71,357)	£5.78
At 31 March 2022	327,381	£5.65

The average closing share price at the date of exercise for the SAYE options exercised (for the three-year 2018 and the five-year 2016 schemes) during the year was £8.69 (2021: £7.37).

The fair value has been calculated using the Black-Scholes model. Inputs to the model are summarised as follows:

	2022 SAYE 3 year	2022 SAYE 5 year	2021 SAYE 3 year	2021 SAYE 5 year
Weighted average share price at grant	846p	846p	551p	551p
Exercise price	670p	670p	531p	531p
Expected volatility	38%	35%	34%	33%
Average expected life (years)	3	5	3	5
Risk free rate	0%	0%	0%	0%
Expected dividend yield	2%	2%	7%	7%
Possibility of ceasing employment before vesting	25%	25%	25%	25%

The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is based on the present value of expected future dividend payments to expiry.

Fair values per share of these options were:

	2022		2021	
	Grant date	Fair value of award	Grant date	Fair value of award
SAYE – three year	23 July 2021	261p	27 July 2020	78p
SAYE – five year	23 July 2021	261p	27 July 2020	75p

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

23. SHARE BASED PAYMENTS CONTINUED

(c) Share Incentive Plan ('SIP')

All staff were granted £1,000 worth of shares in September 2015, £2,000 in August 2017, £2,000 in September 2019 and £2,000 in September 2021. These shares are held in trust under an HMRC-approved SIP. The shares can be exercised following three years of employment but must be held for a further two years in order to qualify for tax advantages. 52,170 shares were granted in the year (2021: nil), 6,124 (2021: 12,113) shares were exercised in the year and 9,587 (2021: 3,951) shares lapsed.

(d) Year-end summary

At 31 March 2022, in total there were 1,850,331 (2021: 1,814,054) share awards/options exercisable on the Company's ordinary share capital. These are analysed below:

Date of grant	Exercise price	Ordinary shares Number	Vested and exercisable	Exercisable between	
LTIP					
18 June 2019	–	324,544	–	18.06.2022	–
18 June 2020	–	559,261	–	18.06.2023	–
18 June 2021	–	503,062	–	18.06.2024	–
SAYE					
26 July 2017 – five year	£7.08	–	–	01.09.2022	01.03.2023
26 July 2018 – five year	£8.60	174	–	01.09.2023	01.03.2024
25 July 2019 – three year	£7.02	29,852	–	01.09.2022	01.03.2023
25 July 2019 – five year	£7.02	256	–	01.09.2024	01.03.2025
27 July 2020 – three year	£5.31	210,469	–	01.09.2023	01.03.2024
27 July 2020 – five year	£5.31	44,399	–	01.09.2025	01.03.2026
23 July 2021 – three year	£6.70	40,979	–	01.09.2024	01.03.2025
23 July 2021 – five year	£6.70	1,252	–	01.09.2026	01.03.2027
SIP					
18 September 2015	–	8,620	8,620	18.09.2018	–
10 August 2017	–	30,324	30,324	10.08.2020	–
5 September 2019	–	44,969	–	05.09.2022	–
29 September 2021	–	52,170	–	29.09.2024	–
Total		1,850,331	38,944		

The share awards/options outstanding at 31 March 2022 had a weighted average remaining contractual life of: LTIP – 1.3 years (2021: 1.5 years), SAYE – 1.4 years (2021: 2.6 years), SIP – 1.1 years (2021: 0.8 years).

(e) Cash-settled share based payments

National Insurance payments due on the exercise of non-approved ESOS options and shares from the LTIP are considered cash-settled share based payments.

The estimated fair value of the National Insurance cash-settled share based payments have been calculated using the share price at the balance sheet date. At each balance sheet date the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement.

(f) Share based payment charges

The Group recognised a total charge in relation to share based payments as follows:

	2022 £m	2021 £m
Equity-settled share based payments	1.6	2.3
Cash-settled share based payments	–	0.2
	1.6	2.5

The total liability at the end of the year in respect of cash-settled share based schemes was £0.4m (2021: £0.4m).

24. RELATED PARTY TRANSACTIONS

Key management for the purposes of related party disclosure under IAS 24 are taken to be the Executive Board Directors, the non-Board Executive Directors and the Non-Executive Directors. Key management compensation is set out below:

Key management compensation:	2022 £m	2021 £m
Short-term employee benefits	4.7	2.9
Total	4.7	2.9

25. CAPITAL COMMITMENTS

At the year end the estimated amounts of contractual commitments for future capital expenditure not provided for were:

	2022 £m	2021 £m
Investment property construction	4.6	4.2

For both current and prior period, there were no material obligations for the repair or maintenance of investment properties. All material contacts for enhancement are included in the capital commitments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

26. SUBSIDIARY AND OTHER RELATED UNDERTAKINGS
The Company's subsidiary and other related undertakings at 31 March 2022, and up to the date of signing the financial statements, are listed below.

Except where indicated otherwise, the Company owns 100% of the ordinary share capital of the following subsidiary undertakings incorporated and operating in the UK, all of which are consolidated in the Group's financial statements.

UK subsidiaries
The registered address of all UK subsidiaries is Canterbury Court, Kennington Park, 1-3 Brixton Road, London SW9 6DE.

Name	Nature of business
Workspace 12 Limited	Property Investment
Workspace 13 Limited	Property Investment
Workspace 14 Limited	Property Investment
Omnibus Workspace Limited[1]	Property Investment
United Workspace Limited[1]	Property Investment
Busworks Limited[1]	Holding Company
Workspace Glebe Limited	Non-trading
Glebe Three Limited	Non-trading
LI Property Services Limited	Insurance Agents
Workspace Management Limited	Property Management
Workspace 1 Limited[1]	Dormant
Workspace 10 Limited	Dormant
Workspace 11 Limited	Dormant
Workspace 15 Limited	Dormant
Workspace Holdings Limited	Non-trading
Anyspacedirect.co.uk Limited	Non-trading
Workspace Newco 1 Limited	Dormant
Workspace Newco 2 Limited	Dormant
McKay Securities PLC[2]	Property Investment
Baldwin House Limited[2]	Non-trading

1. 100% of the ordinary share capital of this subsidiary is held by other Group companies.
2. McKay Securities PLC and Baldwin House Limited were acquired on 6 May 2022.

Non-UK subsidiaries

Name	Country of incorporation	Registered address	Nature of business
Workspace 16 (Jersey) Limited	Jersey	Gaspé House, 66-72 The Esplanade, St Helier, Jersey JE2 3QT	Non-trading
Workspace 17 (Jersey) Limited	Jersey	44 Esplanade, St Helier, Jersey JE4 9WQ	Holding Company
Workspace Salisbury Limited[1]	Jersey	44 Esplanade, St Helier, Jersey JE4 9WQ	Property Investment
Centro Property Limited[1]	Guernsey	Martello Court, Admiral Park, St Peter Port, Guernsey GY1 3HB	Non-trading
Stamfordham Road (IOM) Limited[1]	Isle of Man	33-37 Athol Street, Douglas, Isle of Man, IM1 1LB	Property Investment

1. 100% of the ordinary share capital of these subsidiaries is held by other Group companies.

27. PENSION COMMITMENTS
The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge for this scheme in the year was £0.8m (2021: £0.8m) representing contributions payable by the Group to the fund and is charged through operating profit.

The Group's commitment with regard to pension contributions, consistent with the prior year, ranges from 6% to 16.5% of an employee's salary. The pension scheme is open to every employee in accordance with the Government auto-enrolment rules. The number of employees, including Directors, in the scheme at the year end was 238 (2021: 210).

28. LEASES
The majority of the Group's tenant leases are granted with a rolling three to six-month tenant break clause, although property acquisitions have included customer leases which are much longer, with fewer break clauses. The future minimum non-cancellable rental receipts under leases granted to tenants are shown below.

Land and buildings:	2022 £m	2021 £m
Within one year	61.1	56.3
Between two and five years[1]	36.4	45.4
Beyond five years	13.3	24.3
	110.8	126.0

1. For 2022 the future minimum non-cancellable rental receipts under leases granted to tenants are split 1-2 years: £15.9m; 2-3 years: £9.6m; 3-4 years: £6.5m; and 4-5 years: £4.4m.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

29. POST BALANCE SHEET EVENTS

On 6 May 2022 the Group completed on the acquisition of McKay Securities PLC for £258.1m, adding 31 properties to the portfolio across London and the South East with a value of £491.7m as valued by Knight Frank at 31 March 2022. The Group have considered the IFRS 3 framework and have concluded this is an asset acquisition for accounting purposes.

PARENT COMPANY BALANCE SHEET
AS AT 31 MARCH 2022

	Notes	2022 £m	2021 £m
Fixed assets			
Investments	C	929.8	928.5
Derivative financial instruments	F	–	8.7
		929.8	937.2
Current assets			
Debtors: amounts falling due within one year	D	439.1	542.2
Cash and cash equivalents		34.3	74.0
		473.4	616.2
Total assets		1,403.2	1,553.4
Current liabilities			
Creditors: amounts falling due within one year	E	(168.9)	(110.8)
Borrowings	F	–	(156.6)
		(168.9)	(267.4)
Creditors: amounts falling due after more than one year			
Borrowings	F	(595.5)	(596.2)
Total liabilities		(764.4)	(863.6)
Net assets		638.8	689.8
Capital and reserves			
Share capital		181.1	181.1
Share premium		295.6	295.6
Investment in own shares		(9.9)	(9.6)
Other reserves	G	32.6	31.0
Retained earnings[1]		139.4	191.7
Total shareholders' equity		638.8	689.8

1. Retained earnings for the Company include loss for the year of £7.5m (2021: £22.2m).

The notes on pages 231 to 233 form part of these financial statements.

The financial statements on pages 230 to 233 were approved by the Board of Directors on 7 June 2022 and signed on its behalf by:

Graham Clemett
Director

Dave Benson
Director

Workspace Group PLC
Registered number 02041612

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Share capital £m	Share premium £m	Investment in own shares £m	Other reserves £m	Retained earnings £m	Total share-holders' equity £m
Balance at 31 March 2020	180.7	295.6	(9.6)	29.5	258.1	754.3
Loss for the year	–	–	–	–	(22.2)	(22.2)
Other comprehensive loss for the year	–	–	–	(0.6)	–	(0.6)
Total comprehensive loss	–	–	–	(0.6)	(22.2)	(22.8)
Transactions with owners:						
Share issues	0.4	–	–	(0.4)	–	–
Dividends paid	–	–	–	–	(44.2)	(44.2)
Share based payments	–	–	–	2.5	–	2.5
Balance at 31 March 2021	181.1	295.6	(9.6)	31.0	191.7	689.8
Loss for the year	–	–	–	–	(7.5)	(7.5)
Total comprehensive loss	–	–	–	–	(7.5)	(7.5)
Transactions with owners:						
Dividends paid	–	–	–	–	(44.8)	(44.8)
Own shares	–	–	(0.3)	–	–	(0.3)
Share based payments	–	–	–	1.6	–	1.6
Balance at 31 March 2022	181.1	295.6	(9.9)	32.6	139.4	638.8

The notes on pages 231 to 233 form part of these financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

A. ACCOUNTING POLICIES

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

Basis of accounting

The financial statements are prepared and approved by the Directors on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ('UK Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The financial statements are presented in Sterling.

a) The requirements of IAS 7 to provide a statement of cash flows and related notes for the year.

b) The requirements of IAS 1 to provide a statement of compliance with IFRS.

c) The requirements of IAS 1 to disclose information on the management of capital.

d) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRSs that have been issued but are not yet effective.

e) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

f) The requirements of IFRS 7 on financial instruments disclosures.

g) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.

The above disclosure exemptions are allowed because equivalent disclosures are included in the Group consolidated financial statements.

Significant accounting policies

i. Investments

Investments are carried in the Company's balance sheet at cost less impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment. Impairment and reversal of impairment is taken to the profit and loss account.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

A. ACCOUNTING POLICIES CONTINUED

Significant accounting policies continued

ii. Share based payment and investment in own shares

Incentives are provided to employees under share option schemes. The Company has established an Employee Share Ownership Trust ('ESOT') to satisfy part of its obligation to provide shares when Group employees exercise their options. The Company provides funding to the ESOT to purchase these shares.

The Company has also established an employee Share Incentive Plan ('SIP') which is governed by HMRC rules.

The Company itself has no employees. When the Company grants share options to Group employees as part of their remuneration, the expense of the share options is reflected in a subsidiary undertaking, Workspace Management Limited. The Company recognises this as an investment in subsidiary undertakings with a corresponding increase to equity.

The disclosure requirements for share based payments are met in note 23 of the Group consolidated financial statements.

iii. Borrowings

Details of borrowings are described in note F to the Parent Company financial statements. Costs associated with the raising of finance are capitalised, amortised over the life of the instrument and charged as part of interest costs.

iv. Derivative financial instruments and hedge accounting

The accounting policy for derivative financial instruments and hedge accounting are the same as those for the Group and are set out on page 210. Disclosure requirements are provided in note 16 to the consolidated financial statements.

v. Foreign currency translation

The accounting policy for foreign currency translation is the same as that for the Group and is set out on page 210.

Taxation

Current income tax is tax payable on the taxable income for the year and any prior year adjustment, and is calculated using tax rates that are relevant to the financial year.

Deferred tax is provided in full on temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Dividend distributions

Final dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved, while interim dividends are recognised when paid.

B. PROFIT FOR THE YEAR

As permitted by the exemption in Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The loss attributable to shareholders, before dividend payments, dealt with in the financial statements of the Company was £7.5m (2021: £22.2m). No dividends were received in the year from subsidiary undertakings (2021: nil).

Dividend payments are disclosed in note 7 to the consolidated financial statements.

C. INVESTMENTS

	Investment in subsidiary undertakings £m
Cost	
Balance at 31 March 2021	1,062.8
Additions in the year	1.3
Balance at 31 March 2022	1,064.1
Impairment	
Balance at 31 March 2021 and 31 March 2022	134.3
Net book value at 31 March 2022	929.8
Net book value at 31 March 2021	928.5

D. DEBTORS

Amounts falling due within one year	2022 £m	2021 £m
Amounts owed by Group undertakings	438.0	542.1
Corporation tax asset	1.1	0.1
	439.1	542.2

Amounts owed by Group undertakings are unsecured and repayable on demand. Interest is charged to Group undertakings.

At the balance sheet date, there is no expectation of any material credit losses on accounts owed by Group undertakings.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022 CONTINUED

E. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £m	2021 £m
Amounts owed to Group undertakings	165.0	90.0
Witholding tax	1.5	–
Accruals and deferred income	2.4	20.8
	168.9	110.8

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest is paid to Group undertakings.

F. BORROWINGS

Borrowings and financial instruments	Interest rate	Repayable	2022 £m	2021 £m
Creditors: amounts falling due within one year				
5.6% Senior US Dollar Notes 2023	5.6%	April 2021	–	64.5
5.53% Senior Notes 2023	5.53%	April 2021	–	84.0
Creditors: amounts falling due after more than one year				
Bank Loan	SONIA+1.65%[2]	December 2024	–	–
Bank Loan	SONIA+1.75%[1]	September 2023	–	–
3.07% Senior Notes	3.07%	August 2025	80.0	80.0
3.19% Senior Notes	3.19%	August 2027	120.0	120.0
3.6% Senior Notes	3.6%	January 2029	100.0	100.0
Green Bond	2.25%	March 2028	300.0	300.0
Total borrowings			600.0	748.5
Less cost of raising finance			(4.5)	(3.8)
Foreign exchange differences			–	8.1
Net borrowings			595.5	752.8

1. This is an average over the life of the debt. This ranges from SONIA + 1.5% – 2.15% based on the remaining life of the loan.
2. There are 3 ESG linked metrics which can fluctuate the interest by up to 4.5 BPS.

All the above borrowings are unsecured.

Maturity analysis of borrowings:	2022 £m	2021 £m
Repayable within one year	–	148.5
Repayable between three and four years	80.0	–
Repayable between four and five years	80.0	80.0
Repayable in five years or more	440.0	520.0
	600.0	748.5

The following derivative financial instruments are held:

	Amount	Rate payable (%)	Term/expiry	2022 £m	2021 £m
Cash flow hedge – cross currency swap	$100m/£64.5m	5.66%	June 2023	-	8.7

The cash flow hedge was terminated in line with the repayment of the US Dollar Notes.

G. CAPITAL AND RESERVES

Movements and notes applicable to share capital, share premium account, investment in own shares, other reserves and share based payment reserve are shown in notes 20 to 23 on pages 225 to 228 and in the statement of changes in equity.

Other reserves:	Equity-settled share based payments £m	Merger reserve £m	Hedging reserve £m	Total £m
Balance at 31 March 2020	20.2	8.7	0.6	29.5
Share based payments	2.5	–	–	2.5
Issue of shares	(0.4)	–	–	(0.4)
Change in fair value of derivative financial instruments	–	–	(0.6)	(0.6)
Balance at 31 March 2021	22.3	8.7	–	31.0
Share based payments	1.6	–	–	1.6
Balance at 31 March 2022	23.9	8.7	–	32.6

FIVE-YEAR PERFORMANCE (UNAUDITED)

2018–2022

	31 March 2022 £m	31 March 2021 £m	31 March 2020 £m	31 March 2019 £m	31 March 2018 £m
Rents receivable	104.3	118.0	132.7	123.7	106.1
Service charges and other income	28.6	24.3	28.7	25.7	22.8
Revenue	132.9	142.3	161.4	149.4	128.9
Trading profit before interest	67.4	62.5	104.3	93.9	79.5
Net interest payable[1]	(20.5)	(23.8)	(23.3)	(21.5)	(18.8)
Trading profit after interest	46.9	38.7	81.0	72.4	60.7
Profit/ (loss) before taxation	124.0	(235.7)	72.5	137.3	170.4
Profit/ (loss) after taxation	123.9	(235.7)	72.1	137.3	171.4
Basic earnings/ (loss) per share	68.2p	(130.3)p	40.0p	78.9p	104.8p
Dividends per share	21.5p	17.75p	36.16p	32.87p	27.39p
Dividends (total)	40.6	32.1	65.4	59.3	44.9
Investment properties	2,366.7	2,349.9	2,586.3	2,591.4	2,288.7
Other assets less liabilities	(9.4)	(65.5)	(47.1)	(29.2)	(58.9)
Net debt	(557.7)	(564.9)	(541.2)	(580.2)	(517.1)
Net assets	1,799.6	1,719.5	1,998.0	1,982.0	1,712.9
Gearing	31%	33%	27%	29%	30%
Loan to value	23%	24%	21%	22%	23%
EPRA Net Tangible Assets (NTA)	£9.88	£9.38	£10.88	£10.85	£10.36

1. Excludes exceptional items.

PERFORMANCE METRICS (UNAUDITED)

	31 March 2022 £m	31 March 2021 £m	31 March 2020 £m	31 March 2019 £m	31 March 2018 £m
Workspace Group:					
Number of estates	57	58	59	64	66
Lettable floorspace (million sq. ft.)	4.0	3.9	3.9	3.9	3.7
Number of lettable units	4,482	4,196	4,009	4,796	4,539
Average unit size (sq. ft.)	844	942	922	975	979
Rent roll of occupied units	£111.0m	£103.9m	£132.8m	£127.5m	£112.9m
Overall rent per sq. ft.	£33.26	£33.90	£39.18	£38.45	£36.05
Overall occupancy	84.3%	77.8%	87.0%	84.8%	85.5%
Enquiries (number)	11,007	8,870	13,041	12,575	12,189
Lettings (number)	1,520	1,146	1,454	1,238	1,111
EPRA Measures					
EPRA Earnings per share	26.2p	21.3p	44.5p	40.3p	37.8p
EPRA Net Tangible Asset per share	£9.88	£9.38	£10.88	£10.85	£10.36

PROPERTY PORTFOLIO 2022 (UNAUDITED)

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £
Archer Street Studios	W1D 7AZ	Like-for-like	15,847	840,235
Barley Mow Centre	W4 4PH	Refurbishment	77,571	1,455,176
Brickfields	E2 8HD	Like-for-like	56,755	2,051,526
Busworks	N7 9DP	Acquisitions	103,109	1,512,795
Canalot Studios	W10 5BN	Like-for-like	49,513	1,074,403
Cannon Wharf	SE8 5EN	Like-for-like	32,619	571,145
Cargo Works	SE1 9PG	Like-for-like	71,073	3,466,534
Centro Buildings	NW1 0DU	Like-for-like	212,634	8,477,036
China Works	SE1 7SJ	Like-for-like	68,808	1,925,489
Chiswick Studios	W4 5PY	Like-for-like	14,254	405,552
Chocolate Factory (part)	N22 6XJ	Redevelopment	64,116	755,459
Chocolate Factory (part)	N22 6XJ	Refurbishment	0	0
Clerkenwell Workshops	EC1R 0AT	Like-for-like	52,879	2,388,430
E1 Studios	E1 1DU	Like-for-like	40,797	858,913
East London Works	E1 1DU	Like-for-like	38,333	810,341
Edinburgh House	SE11 5DP	Like-for-like	65,492	2,171,369
Exmouth House	EC1R 0JH	Like-for-like	57,560	3,200,162
160 Fleet Street	EC4A 2DQ	Completed	42,736	1,089,500
Fuel Tank	SE8 3DX	Like-for-like	35,189	602,502
Garratt Lane	SW18 4LZ	Redevelopment	43,000	797,580
338 Goswell Road	EC1V 7LQ	Like-for-like	41,490	1,675,912
Grand Union Studios	W10 5AD	Like-for-like	62,958	1,533,057
60 Gray's Inn Road	WC1X 8AQ	Like-for-like	36,138	1,484,580
Havelock Terrace	SW8 4AS	Refurbishment	58,164	1,121,311
Ink Rooms	WC1X 0DS	Like-for-like	22,235	1,320,295
Kennington Park	SW9 6DE	Like-for-like	354,392	9,400,545
Leroy House	N1 3QP	Refurbishment	46,803	4,061
Lock Studios	E3 3YD	Redevelopment	54,237	793,247
Mare Street Studios	E8 3QE	Completed	55,100	834,567
Metal Box Factory	SE1 0HS	Like-for-like	106,667	5,171,730
Mirror Works (formerly Marshgate)	E15 2NH	Redevelopment	39,964	212,932
Morie Street	SW18 1SL	Like-for-like	21,711	497,711
Pall Mall Deposit	W10 6BL	Refurbishment	60,360	1,015,641
Parkhall Business Centre	SE21 8EN	Completed	124,739	1,819,637
Parma House	N22 6XF	Redevelopment	34,983	153,941

Property name	Postcode	Category	Lettable floor area sq. ft.	Net rent roll of occupied units £
Peer House	WC1X 8LZ	Like-for-like	10,222	196,371
Pill Box	E2 6GG	Like-for-like	50,409	1,009,452
Poplar Business Park	E14 9RL	Like-for-like	65,178	1,004,493
Q West	TW8 0GP	Redevelopment	54,960	550,826
Rainbow Industrial Park (Part)	SW20 0JK	Like-for-like	21,180	404,801
Rainbow Industrial Park (Part)	SW20 0JK	Redevelopment	89,934	238,223
Riverside	SW18 4UQ	Like-for-like	81,929	1,476,662
Salisbury House	EC2M 5QQ	Like-for-like	224,454	9,836,487
ScreenWorks	N5 2EF	Like-for-like	63,974	1,877,430
The Biscuit Factory (Cocoa Studios)	SE16 4DG	Like-for-like	39,298	873,259
The Biscuit Factory (Part)	SE16 4DG	Like-for-like	124,580	2,171,536
The Biscuit Factory (Part)	SE16 4DG	Refurbishment	88,080	1,377,046
The Frames	EC2A 4PS	Like-for-like	52,271	2,611,550
The Leather Market	SE1 3ER	Like-for-like	146,855	5,053,326
The Light Box	W4 5PY	Like-for-like	78,489	1,777,301
The Light Bulb (part)	SW18 4GQ	Like-for-like	52,699	1,136,925
The Light Bulb (part)	SW18 4WW	Redevelopment	17,226	112,862
The Old Dairy	EC2A 4HT	Acquisitions	56,982	2,251,708
The Print Rooms	SE1 0LH	Like-for-like	46,064	1,861,751
The Record Hall	EC1N 7RJ	Like-for-like	56,015	2,656,609
The Shaftesbury Centre	W10 6BN	Like-for-like	12,627	274,672
The Shepherds Building	W14 0DA	Like-for-like	136,085	4,947,467
Thurston Road	SE13 7SH	Redevelopment	0	0
Vox Studios	SE11 5JH	Like-for-like	106,943	3,775,357
Wenlock Studios	N1 7EU	Completed	30,939	737,830
Westbourne Studios	W10 5JJ	Refurbishment	57,135	1,316,967

GLOSSARY OF TERMS

Earnings per share ('EPS') is the profit after taxation divided by the weighted average number of shares in issue during the period.

Employee Share Ownership Trust ('ESOT') is the trust created by the Group to hold shares pending exercise of employee share options.

EPRA EPS is a definition of earnings per share as set out by the European Public Real Estate Association ('EPRA'). It is based on operating earnings where profit before tax is adjusted to exclude the impact of any changes in property valuation, gains or losses on property disposals and fair value movements.

EPRA net asset value ('EPRA NAV') is a definition of net asset value as set out by EPRA. It is adjusted to include investment properties at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.

EPRA net reinstatement value ('EPRA NRV') represents the value required to rebuild an entity, assuming that no asset sales takes place. Assets and liabilities that are not expected to crystallise in normal circumstances, such as fair value movements on derivatives and deferred tax on property valuation movements, are excluded.

EPRA net tangible assets ('EPRA NTA') focuses on a company's tangible assets and assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

EPRA net disposal value ('EPRA NDV') represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

Equivalent yield is a weighted average of the initial yield and reversionary yield and represents the return a property will produce based upon the timing of the occupancy of the property and timing of the income receivable. This is approximated by the reversionary yield multiplied by the Group trend occupancy of 90%.

Estimated Rental Value ('ERV') or market rental value is the Group's external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review.

Exceptional items are significant items of income or expense that by virtue of their size, incidence or nature are shown separately on the consolidated income statement to enable a full understanding of the Group's financial performance.

Gearing is the Group's net debt as a percentage of net assets.

Green Finance Framework is aligned with ICMA's Green Bond Principles (2018 edition) and LMA's Green Loan Principles (2021 edition) and addresses UN SDGs 7, 11, 12 and 13. The framework allows Workspace to issue a variety of GDIs and sets out the principles for the use and management of proceeds from GDIs.

ICMA is the International Capital Market Association.

Initial yield is the net rents generated by a property or by the portfolio as a whole expressed as a percentage of its valuation.

Interest cover is the number of times net interest payable is covered by net rental income.

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

Loan to value ('LTV') is net debt divided by the current value of properties owned by the Group as valued by CBRE.

LMA is the Loan Market Association.

MSCI IPD MSC Inc is a company that produces independent benchmarks of property returns under the brand IPD.

Net asset value per share ('NAV') is net assets divided by the number of shares at the period end.

Net debt is the amount drawn on bank and other loan facilities, including overdrafts, less cash deposits. This excludes any foreign exchange movements.

Net rents are rents excluding any contracted increases and after deduction of inclusive service charge revenue.

Occupancy is the area of space let divided by the total net lettable area (excluding land used for open storage) expressed as a percentage.

Property Income Distribution ('PID') a dividend generally subject to withholding tax that a UK REIT is required to pay from its tax-exempted property rental business and which is taxable for UK resident shareholders at their marginal tax rate

REIT is a Real Estate Investment Trust as set out in the UK Finance Act 2006 Sections 106 and 107. REITs pay no corporation tax on profits derived from their property rental business.

Rent roll is the annualised net rent of occupied units for a property or portfolio of properties at a reporting date.

Reversionary yield is the anticipated yield, which the initial yield will rise to once the rent reaches the estimated rental value. It is calculated by dividing the ERV by the valuation.

SONIA is the Sterling Overnight Interbank Average Rate, an important interest benchmark administrated by the Bank of England.

Total Accounting Return is the growth in absolute EPRA net asset per share plus dividends paid in the year as a percentage of the opening EPRA net asset value per share.

Total Property Return ('TPR') is a percentage measure calculated by MSCI IPD and defined in the MSCI Global Methodology for Real Estate Investment as the percentage of value change plus net income accrued relative to the capital employed.

Total Shareholder Return ('TSR') is the growth in ordinary share price as quoted on the London Stock Exchange plus dividends per share received for the year, expressed as a percentage of the share price at the beginning of the year.

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

UN SDGs is UN Sustainable Development Goals which are addressed in the Green Finance Framework.

INVESTOR INFORMATION

Registrar
All general enquiries concerning ordinary shares in Workspace Group PLC should be addressed to:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS13 8AE
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Alternatively, shareholders can contact Computershare online via their free Investor Centre facility. Shareholders have the ability to set up or amend bank details for direct credit of dividend payments, amend address details, view payment history and access information on the Company's share price. For more information or to register, please visit www.investorcentre.co.uk

Website
The Company has an investor website which holds, amongst other information, a copy of the latest Annual Report and Accounts, a list of properties held by the Group and copies of all press announcements. The site can be found at www.workspace.co.uk/investors

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