Compliance with the UK Corporate Governance Code

The Company has, throughout the year ended 31 March 2018, fully complied with the provisions of the UK Corporate Governance Code. We also recognise that there are ongoing discussions about the structure of the Code, which we are monitoring.

Where to find the information

Leadership
The Board is responsible for setting the Group's strategy. It carefully monitors the progress of the strategy to ensure that it remains relevant in our marketplace.

Effectiveness
The Nomination Committee continues to make sure the Board has the necessary skills and experience to provide challenge to the business to deliver its strategic objectives.

Accountability
The Audit Committee plays an important role by providing the necessary safeguards to manage risks and achieve high standards of transparency and accountability to shareholders.

Remuneration
Through the work of the Remuneration Committee, the Company's policy is to align the reward of the Executive Directors with the performance of the Company and incentivise long-term and sustainable value creation.

Relations with shareholders
Explaining the strategy and how it is being implemented, through our business model, is an important part of the Board's work in keeping shareholders informed on the business's performance and future prospects.

Chairman's governance statement

Dear Shareholder
On behalf of the Board, I am pleased to introduce the Corporate governance report for the year ended 31 March 2018.

Good governance is important to us
It has been another successful year for the Company. As Chairman, I am responsible for ensuring that the Board operates effectively and that it continues to uphold a high standard of corporate governance.

The Board of Workspace is committed to conducting business responsibly and ensuring that our governance structures at Board and Committee level remain appropriate for our business while supporting the delivery of our overall strategy. Across the business, we adopt a disciplined approach to the management of our people, our operations, our processes and structures. This discipline ensures we maintain strong governance in terms of leadership, Board effectiveness, accountability, remuneration matters and our relationship with shareholders.

Details of our governance framework can be found on page 76.

Our strategic priorities
The Company's business model and strategy are outlined on pages 16 and 28.

The Board takes seriously our responsibility for ensuring that the Group delivers on its strategic objectives. We regularly debate the effectiveness of the strategy and oversee the Executive Committee to ensure that it is being implemented successfully. The Board continues to believe that the current strategy is the right one for the business at this time.

Our culture
We have done some work this year to articulate the behaviours and values that drive our performance and delivery of The Workspace Advantage. This work has demonstrated the dynamic culture at Workspace, which is felt by everyone within the Company. Our people have deep knowledge of their subjects, inquisitive natures and a thirst for innovation and exhibit genuine care for our customers, our communities and each other. This culture which is also exhibited by the Board creates an environment for good governance.

'The Board is focused on delivering The Workspace Advantage to all stakeholders. This means adhering to high governance standards, maintaining regular engagement with investors and stakeholders and a relentless focus on internal controls and risk management.'

Daniel Kitchen
Non-Executive Chairman

Board performance evaluation

This year the Board benefited from the insights gained from an external evaluation of its performance. We appointed Advanced Boardroom Excellence Limited to facilitate the external Board effectiveness review in March 2018, with a remit to consider the way in which we carry out our role as Directors of Workspace and conduct ourselves in the boardroom, as well as the Board's structure and processes.

The review covered the Board, its Committees, individual Directors and the Company Secretary. The review included interviews with each of the Directors, members of the Executive Committee and the Company Secretary. The findings were reported back to me and the output was reviewed at the April 2018 Board Meeting.

I am pleased to confirm that no significant issues were raised, and the review confirmed that the Board and its Committees continue to operate in an efficient and effective manner.

Further details of the recommendations can be found on page 99 of the Corporate Governance Report.

Non-Executive Directors

I am satisfied that the Non-Executive Directors, all of whom are standing for re-election at the forthcoming Annual General Meeting, continue to be effective and show a high level of commitment to their roles.

The independence of our Non-Executive Directors is extremely important to us in maintaining good governance. Each year, we particularly consider Stephen Hubbard's independence as he is Chairman of CBRE UK and a member of their Management Board. Following a rigorous assessment, the Board is completely satisfied that Stephen remains independent in judgement and character. Further information can be found on page 98.

Meeting our shareholders

It is important that, as a Board, we listen to our shareholders and are aware of their views on strategy and governance. The Company has continued to operate a comprehensive investor relations programme during the year, with our Executive Directors regularly meeting with investors and analysts and feeding back to the Board. I am available to meet with investors on request and encourage an open dialogue on all matters, including any points they may wish to discuss with respect to Board governance.

General Data Protection Regulation ('GDPR')

The implementation of GDPR in May 2018 has provided an added impetus to continue to evolve the controls and processes we have in place on data protection. As the business grows and adopts new practices and technologies, this will continue to be front of mind for the Board and the wider business.

I am pleased with the progress we have made this year across the governance agenda and trust that you will find this governance report helpful and informative.

We also extend our thanks to all of our shareholders for your continued support as we look forward to delivering continued success in the years ahead.

Daniel Kitchen
Non-Executive Chairman
5 June 2018

Leadership

Strong direction from the Board enables the management team to focus on delivering the Group's strategic objectives.

Daniel Kitchen
Non-Executive Chairman

Our Board
Led by our Chairman, Daniel Kitchen, the Board provides the leadership of the Company and is collectively responsible and accountable to shareholders for the Company's long-term success, leadership, strategy, values, standards, control and management. It sets strategy and oversees its implementation. Our Directors are highly skilled professionals, who bring a range of skills, perspectives and corporate experience. Collectively, they have many years of experience gained in a wide range of businesses and sectors, as illustrated on pages 80 to 90. The skills of Board members include property, finance, retail, marketing, telecoms, media, law and general corporate experience. Two Executive Directors also serve as Non-Executive Directors on external boards.

The Board meets regularly and there is an annual cycle of topics considered at meetings. The Executive Directors provide regular 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 and investors. The Company Secretary and external advisers periodically update the Board on regulatory changes. In particular, the Board considered the implications of the General Data Protection Regulation and the Data Protection Act 2018 which came into force in May 2018 and regulations in general, including the revised Corporate Governance Code.

Our governance framework

Leadership

The Board
Number of meetings in 2017/18:
9
More information on pages 75 to 80.

Executive Committee
Number of meetings in 2017/18:
21
More information on pages 92 and 93.

Investment Committee
Number of meetings in 2017/18:
20
More information on page 112.

Effectiveness

Nomination Committee
Number of meetings in 2017/18:
2
More information on pages 102 to 102.

Accountability

Audit Committee
Number of meetings in 2017/18:
3
More information on pages 103 to 110.

Remuneration

Remuneration Committee
Number of meetings in 2017/18:
8
More information on pages 113 to 134.

Risk Committee
Number of meetings in 2017/18:
5
More information on page 111.

Our governance framework, which is illustrated in the chart on page 76, supports the development of good governance practices across the Group. The Executive Committee has the responsibility for ensuring that the policies and practices set at Board level are effectively communicated and implemented across the business. Our intranet is also used as a platform for employees to access our policies, and they are kept up-to-date on the latest Company news.

Annual Board tours provide opportunities for the Board to enhance their understanding of the business first-hand, visiting selected properties. In September 2017, the Board undertook site visits to the two new properties recently acquired. These visits to both The Salisbury and 13-17 Fitzroy Street helped the Board to assess the effectiveness of the current strategy. It demonstrated the future potential within the portfolio and ensured that Directors remain up-to-date with ongoing developments in the business.

Employees below Board level are invited to present to the Board on operational topics. During the year, our Energy & Sustainability Manager updated the Board on our 'Doing the Right Thing' strategy, while our Head of Marketing presented results from The Workspace Advantage advertising campaign.

The Board draws on expertise throughout the business and from external advisers to ensure that its judgements are based on sound and timely information.

The Board operates through a robust risk management and internal control system, details of which can be found on page 110. Detailed in this section are the main Committees that are used by the Board to embed strict corporate governance practices.

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.

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.

Annual review of strategy
Whilst the Board considers strategy throughout the year, it also holds an annual deep dive strategy day, together with the Executive Committee. In September 2017, the meeting covered the potential impact of external changes in our market, amongst other things. Additionally, the Head of Marketing provided an update on the marketing campaign conducted during the year.

Our annual strategy review is essential in reinforcing our commitment to keep strategy at the forefront of discussions, and to ensure that our strategy remains relevant in our changing marketplace.

Meetings
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 Company'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 2018, the Board met formally on nine occasions, including a strategy day in September 2017. 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 2017. The Group's Valuer, CBRE, presented to the Audit Committee meeting in May 2018 and circulated a report to the meeting in November 2017. 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 Annual General Meeting ('AGM'), and to devote sufficient time to the Company's affairs, to enable them to fulfil their duties as Directors.

Individual Directors' attendance at each of the Board and Committee meetings held during the year ended 31 March 2018 are set out in the table to the right.

Scheduled meetings and member attendance

	Board	Audit	Remuneration	Nomination
Daniel Kitchen	9/9	–	8/8	2/2
Jamie Hopkins	9/9	–	–	–
Graham Clemett	9/9	–	–	–
Chris Girling	9/9	3/3	8/8	2/2
Damon Russell	9/9	3/3	8/8	2/2
Maria Moloney[1]	9/9	3/3	8/8	1/2
Stephen Hubbard	9/9	3/3	8/8	2/2

1. Maria Moloney did not attend one meeting of the Nomination Committee as the business of the meeting was in relation to her reappointment as a Director of the Company.

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.

Periodically, the Chairman meets the Non-Executive Directors without the Executive Directors present and maintains regular contact with Jamie Hopkins, the Chief Executive Officer, and other members of the management team.

Matters reserved for the Board
To help retain control of key decisions, the Board has a formal schedule of reserved matters that require its approval. Matters reserved include:
- Company strategy.
- Dividend policy.
- Business objectives and annual budgets.
- Succession planning for the Board and Senior Management.
- Approval of significant funding decisions.
- Review and approval of corporate transactions.

Other day-to-day operational decisions are delegated by the Board to the Executive Committee, subject to formal delegated authority limits.

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.

Board Committees
The Board has a number of standing Committees, namely the Nomination, Audit, and Remuneration Committees, to which specific responsibilities have been delegated. These Committees enable the Board to operate effectively and ensure a strong governance framework.

Further details of the work of these Committees can be found on pages 100 to 134.

Each Committee has Terms of Reference which were reviewed by each of the Committees and the Board during the year. The Terms of Reference for the Nomination, Audit and Remuneration Committees are available for inspection on the Company's website at www.workspace.co.uk.

Each of the Committees is comprised of independent Non-Executive Directors of the Company who are appointed by the Board. Board members receive minutes of meetings and comprehensive papers in advance of Committee meetings, and a Committee can request presentations or reports on areas of interest.

The activity of each Committee is described on pages 100 to 134.

The Company Secretary is secretary to each Committee.

Roles, responsibilities and composition
The roles and responsibilities of the Non-Executive 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.

The Board considers there to be an appropriate balance between Executive and Non-Executive Directors required to lead the business and safeguard the interest of shareholders. The Board comprises the Chairman, four 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.

The Directors have a wide range of business skills. Their biographical details can be found on pages 84 to 90, which show the breadth of their skills and experience and membership of the Committees. All of our Directors have significant experience and knowledge of the sector in which we operate.

Division of responsibility

Chairman	As Chairman, Daniel Kitchen, is primarily responsible for the operation, leadership and overall effectiveness of the Board. The Chairman sets the Board's agenda and ensures that the Board as a whole plays a full and constructive part in the development of the Group's strategy. The Chairman facilitates the effective contribution of the Non-Executive Directors and ensures all Directors receive accurate, timely and clear information. Other responsibilities include: – With the Nomination Committee, ensuring that the Board remains appropriately balanced to deliver the Group's strategic objectives and to meet the requirements of good corporate governance. – Ensuring that there is effective communication with the Group's shareholders. The Chairman is not involved in an executive capacity in any of the Group's activities.
Chief Executive Officer	Jamie Hopkins is the Chief Executive Officer. Jamie is responsible for leading and managing the business, and is accountable to the Board for the financial and operational performance of the Group, the achievement of the strategic objectives set by the Board and delivery of The Workspace Advantage to all stakeholders.
Senior Independent Director	The Board appointed Chris Girling to the position of Senior Independent Director on 16 July 2014. In performing this role, Chris provides an alternative communication channel for shareholders, if required, and is available to meet with investors on request. He can also deputise for the Chairman in his absence and counsel all Board colleagues. Chris chairs an annual meeting of the Executive and 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. Chris then conveys the outcome of these discussions to the Chairman.
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.

Board engagement with the business
In order to ensure good quality decision making and oversight, all Directors stay up-to-date with events and developments in the business, as well as external factors such as the changing governance landscape, regulation and Shareholder views.

To read more about the Board's tours of our new acquisitions, please see page 77.

Board activities in 2017/18

Strategy
The Board regularly debates the relevance and effectiveness of the strategy to ensure it is the right one for the business in current and future market conditions.

Activities in 2017/18
- Worked with the Executive Directors to review the current strategy and ensure its continued relevance.
- Held a Board Strategy Day in September 2017.
- The annual Board tour took place in September 2017. Directors visited two recent acquisitions, 13-17 Fitzroy Street and The Salisbury.
- Completion of £200m Private Placement in August 2017.

Trading performance
The Board regularly monitors performance to assess whether the business model is effective in driving enquiries and ensuring we continue to meet customer needs and adapt to overall trends and conditions in the London property market.

Activities in 2017/18
- Reviewed progress against the five-year business plan and updating the plan as required.
- Reviewed monthly financial performance against budget and other finance matters, including budgets and business plans.
- Considered in detail, the annual and interim results, and dividends.
- Discussed treasury and cash management matters.
- Discussed Group tax matters.
- Received updates on market and broker reports.
- Meetings were held throughout the year between the Auditors and the Audit Committee.

Property valuation and investment
The Board reviews and challenges the valuation of the portfolio, and reviews and approves major development projects and acquisitions and disposals.

Activities in 2017/18
- Considered and approved the independent valuation of the Group's property portfolio performed by CBRE.
- Approval of redevelopment activity and major refurbishments.
- Received updates from the Development Director on the status of planning consents.
- Disposal of Uplands Business Park for £50m in May 2017.
- Disposal of Stratford Office Village for £14m in September 2017.
- Disposal of Zennor Road Industrial Estate for £30m in August 2017.
- Acquisition of The Salisbury for £158.7m in June 2017.
- Acquisition of Centro Buildings for £109m in January 2018.

Risk management and internal controls
Robust governance and risk management are crucial to the Board's role in protecting the business, along with maximising opportunities for growth and returns. The Board regularly reviews governance requirements and assesses the adequacy of risk management, including the effectiveness of internal controls and risk reporting.

Activities in 2017/18
- Regularly reviewed the principal risks of the business.
- Received reports on Health and Safety and activities undertaken in terms of staff training and ongoing audits.
- Received reports on governance issues, including legal and regulatory updates.
- Reviewed the Group's preparedness for the implementation of GDPR, including regular updates on activities facilitating compliance.
- Received updates from the Risk Committee.
- Reviewed the Company's Viability Statement.

Shareholder engagement
The Board is committed to an open dialogue with all shareholders and actively seeks their views on relevant governance matters.

Activities in 2017/18
- Reviewed reports from the Company's brokers and advisers, outlining shareholder views and providing feedback on Company presentations or events.
- Reviewed the 2017 AGM Shareholder Circular and proxy voting figures.

Succession planning and Board performance
The Board understands that the strength of its governance relies on having the right mix of skills and experience around the Boardroom table and ensuring there is continuity in Board membership. The Board conducts a rigorous evaluation of its performance each year and the evaluation is externally facilitated every three years.

Activities in 2017/18
- Conducted an external Board evaluation for the year to 31 March 2018.
- Conducted a review of succession planning for the Board and Senior Managers.
- Considered and approved the reappointment of Maria Moloney as a Non-Executive Director and Chair of the Remuneration Committee.

Leadership structure

The Board is collectively responsible for the Company's long-term success and the delivery of its strategic and operational objectives.

The Board sets the strategic direction, governance and values of the Group and has ultimate responsibility for its management and performance.

The Board draws on the expertise within the business and from external advisers to ensure that its judgements are based on sound and timely information.

The Board operates through a sound risk management and internal control system; more on which can be found on page 110. Detailed in the risk section are the main Committees that are used by the Board to embed strict corporate governance practices.

The Board

Executive Directors

Jamie Hopkins
Chief Executive Officer
Role: With extensive experience in the property sector, Jamie is responsible for the delivery of strategy, business development, investor relations, corporate and social responsibility.

Graham Clemett
Chief Financial Officer
Role: To manage the Group's financial activity. Graham has extensive experience in finance and banking.

Non-Executive Directors

Daniel Kitchen
Non-Executive Chairman
Role: As Chairman of the Board and Chairman of the Nomination Committee, Daniel brings independence and strong leadership skills.

Chris Girling
Senior Independent Non-Executive Director and Chairman of the Audit Committee
Role: To independently advise the Board. Chris has a detailed knowledge of risk assessment and infrastructure development experience. Chris chairs the Audit Committee and is a member of the Remuneration and Nomination Committees.

Maria Moloney
Non-Executive Director and Chairman of the Remuneration Committee
Role: Maria brings a wealth of experience from a legal background, as well as property and telecoms. Maria chairs the Remuneration Committee and is a member of the Audit and Nomination Committees.

Damon Russell
Non-Executive Director
Role: Damon brings extensive TMT experience to the Board, and is a member of the Remuneration, Nomination and Audit Committees.

Stephen Hubbard
Non-Executive Director
Role: Stephen has a wealth of experience in the property sector. Stephen is a member of the Audit, Remuneration and Nomination Committees.

Company Secretary

Carmelina Carfora
Company Secretary
Role: Carmelina is Secretary to the Board and its Committees, providing governance and compliance advice.

Board Committees

Nomination Committee
Role: To continually develop the skills and experience of the Board and to meet the changing needs of the business.

Audit Committee
Role: To review and report on the Group's financial reporting, internal controls and risk management process.

Remuneration Committee
Role: To ensure that remuneration arrangements underpin the Group's strategy and to attract and retain critical talent.

Internal Committees

Executive Committee

Jamie Hopkins
Chief Executive Officer
Role: Executive management of the Company and the daily operations of the Group.

Graham Clemett
Chief Financial Officer
Role: Overseeing the Group's financial activity, treasury, tax, Company secretarial, governance and compliance, and managing the Group's IT strategy.

Angus Boag
Development Director
Role: Responsible for the planning and development of properties, and sustainability.

Chris Pieroni
Operations Director
Role: Responsible for corporate and business development, including marketing and communications.

John Robson
Asset Management Director
Role: Responsible for the asset management of the portfolio, including lettings, lease renewals, refurbishments and facilities management.

Investment Committee
Role: To ensure that any significant expenditure across the business is made in support of the Company's strategy.

Risk Committee
Role: To manage strategic and operational risks in each functional area of the business and assess internal controls.

Disclosure Committee
Role: To assist the Company to make timely and accurate disclosures of information required to meet the legal and regulatory obligations arising from the Market Abuse Regulations.

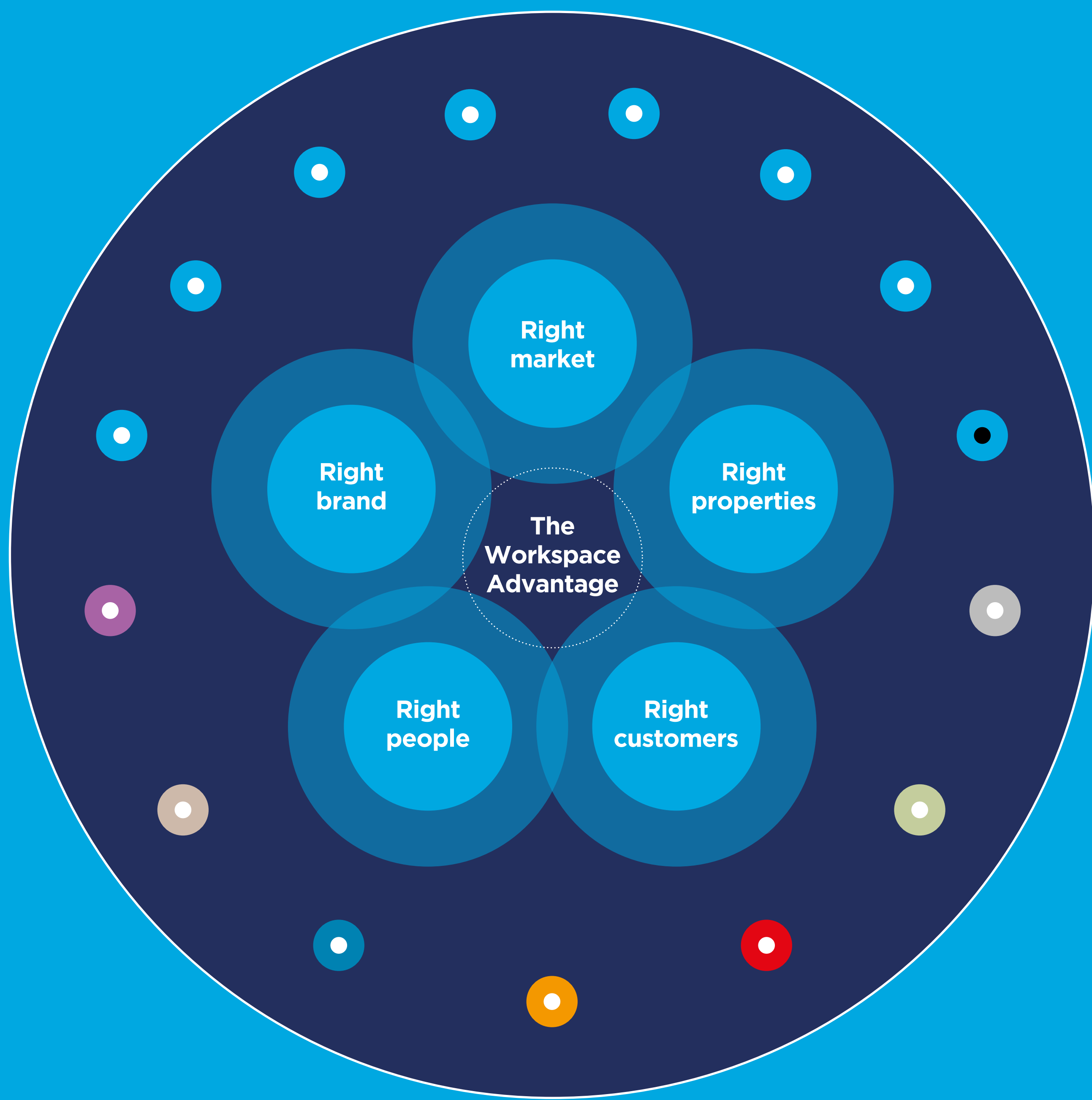
Senior Management
Role: To assist the Chief Executive Officer in managing the day-to-day activities of the Group.

External

Independent Auditors
Role: To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to give an opinion to the shareholders in an auditor's report.

Independent Advisers
Role: To provide expert guidance to the Board and Senior Management on specific areas which support the efficient operation of the Group.

To help deliver The Workspace Advantage, the Board regularly absorbs insight from around the business and from external experts.



The Board · Company Secretary · Nomination Committee
Audit Committee · Remuneration Committee · Executive Committee
Senior Management · Independent Auditors · Independent Advisers

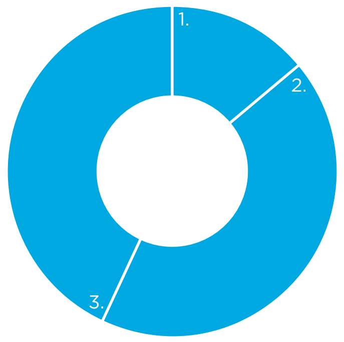
The Board

Our Board comprises highly skilled individuals who bring valuable and varied experience to the Boardroom. The business benefits from their strong external networks, as well as insight drawn from regular engagement with colleagues internally.

9

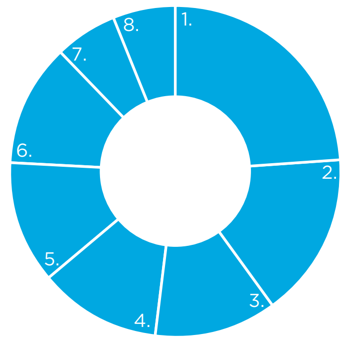
The Board met nine times during the year ended 31 March 2018

Board tenure



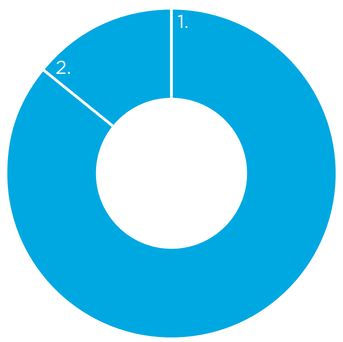
1. 0–3 years 14%
2. 3–5 years 43%
3. 5+ years 43%

Board experience



1. Property 24%
2. Financial 16%
3. Construction 12%
4. Telecoms and media 12%
5. Advisory 12%
6. Legal 12%
7. Local council 6%
8. Utilities 6%

Board diversity



1. Male 86%
2. Female 14%

The Board

	Apr 2017	May 2017	May 2017	Jul 2017	Sep 2017	Nov 2017	Jan 2018	Feb 2018	Mar 2018
Jamie Hopkins Chief Executive Officer	✓	✓	✓	✓	✓	✓	✓	✓	✓
Daniel Kitchen Non-Executive Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓
Maria Moloney Non-Executive Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
Graham Clemett Chief Financial Officer	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chris Girling Senior Independent Non-Executive Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
Stephen Hubbard Non-Executive Director	✓	✓	✓	✓	✓	✓	✓	✓	✓
Damon Russell Non-Executive Director	✓	✓	✓	✓	✓	✓	✓	✓	✓

- Executive Directors
- Non-Executive Chairman
- Non-Executive Directors
- Senior Independent Non-Executive Director
- ✓ Meeting attended

We asked our Board members what The Workspace Advantage means to them.

Here's what they said...

Executive Directors

Appointment to the Board
Jamie joined the Board in June 2010 as a Non-Executive Director and was appointed Chief Executive Officer on 1 April 2012.

Committee memberships
Chairman of the Executive Committee, Investment Committee, Risk Committee and Disclosure Committee.

Current external appointments
Jamie was appointed as Non-Executive Director to the Board of St. Modwen Properties PLC with effect from 1 March 2018.

Previous appointments
Jamie was previously Chief Executive and then a Non-Executive Director of Mapeley PLC, and a Director of Chester Properties. Prior to that, Jamie was a Director of Delancey Estates and Savills.

Skills and business experience
- Strategic development and deal execution experience.
- Well-developed leadership, motivational and management skills.
- Entrepreneurial with strong commercial skills.
- Significant property experience.
- Strong experience of investor relations.

The Workspace Advantage is the backbone to our strategy and provides a central focus for everyone within the business to work towards.

Jamie Hopkins
Chief Executive Officer

Appointment to the Board
Graham joined the Board as Chief Financial Officer in July 2007.

Committee memberships
Member of the Executive Committee, Investment Committee and Disclosure Committee.

Current external appointments
Graham is currently a Non-Executive Director and Chairman of the Audit Committee for The Restaurant Group Plc, having been appointed on 1 June 2016.

Previous appointments
Previously, Graham was Finance Director for UK Corporate Banking at RBS Group PLC. Prior to that, Graham spent eight years at Reuters Group PLC, latterly as Group Financial Controller.

Skills and business experience
- Significant experience of financing and capital raising.
- With over ten years in the Group, he has a detailed knowledge of operations.
- Strong strategic and commercial skills.
- Strong experience of investor relations.

The Workspace Advantage is about the added value we provide to customers beyond the space they rent – it's about the flexibility, the technology and the communities we create.

Graham Clemett
Chief Financial Officer

Non-Executive Directors

The Workspace Advantage uniquely positions us in our marketplace and is delivering results across the business.

Daniel Kitchen
Non-Executive Chairman and Chairman of the Nomination Committee

Appointment to the Board
Daniel was appointed to the Board in June 2011 and subsequently assumed the role of Chairman at the AGM in July 2011. On the recommendation of the Nomination Committee, the Board agreed to extend his appointment for a further three years from June 2017.

Independent
Yes.

Committee memberships
- Chairman of the Nomination Committee.
- Member of the Remuneration Committee.

Current external appointments
Daniel is currently Chairman of Hibernia REIT plc and Applegreen plc, a Non-Executive Director of LXB Retail Properties Plc, Irish Takeover Panel Limited and Governor of St Patrick Hospital in Dublin.

Previous appointments
Daniel was previously Deputy Chief Executive at Heron International plc and prior to that was Finance Director at Green Property Plc for eight years. He retired as Non-Executive Chairman of Irish Nationwide Building Society in July 2011 and as Non-Executive Director of Kingspan Group Plc in May 2012.

Skills and business experience
- Detailed knowledge of the Group.
- Strong leadership skills.
- Strategy development and execution.
- Strong financial skills, previously a CFO for eight years for a property development and investment company.
- Experience of acquisitions and disposals.

The Workspace Advantage is about providing a great working environment to support growing customers.

Chris Girling
Senior Independent Non-Executive Director and Chairman of the Audit Committee

Appointment to the Board
Chris was appointed to the Board in February 2013. On the recommendation of the Nomination Committee, the Board agreed to extend his appointment for a further three years from February 2016.

Independent
Yes.

Committee memberships
- Chairman of the Audit Committee.
- Member of the Remuneration Committee and Nomination Committee.

Current external appointments
Chris, a Chartered Accountant, is currently a Non-Executive Director and Chairman of the Audit Committee of both Keller PLC and South East Water Limited. He is Chair of Trustees for the Slaughter and May Pension Fund.

Previous appointments
Chris was Group Finance Director of Carillion PLC from 1999 to 2007 and Vosper Thornycroft PLC from 1991 to 1999.

Skills and business experience
- CFO of FTSE 250 Companies for 17 years.
- Strong financial skills.
- Detailed knowledge of risk assessment and management systems.
- Experience of infrastructure and development projects.

Non-Executive Directors
continued

Maria Moloney
Non-Executive Director and
Chairman of the Remuneration Committee

Our unique in-house marketing and operational platform, which enables direct engagement with our customers, is a key differentiator of The Workspace Advantage.

Appointment to the Board
Maria was appointed to the Board in May 2012. On the recommendation of the Nomination Committee, the Board agreed to extend her appointment for a further three years from May 2018.

Independent
Yes.

Committee memberships
- Chairman of the Remuneration Committee.
- Member of the Audit Committee and Nomination Committee.

Current external appointments
Maria is currently on the Board and a Trustee of the Northern Ireland Cancer Centre in Belfast.

Previous appointments
Maria was previously on the Board of the Belfast Harbour Commissioners, the Industrial Development Board for Northern Ireland, the Northern Ireland Transport Holdings Company, the Independent Television Commission (London) and The Broadcasting Authority of Ireland (Dublin).

Skills and business experience
- Strong marketing and commercial skills.
- A lawyer by background, with significant legal and corporate governance experience.
- Business and strategy development.
- Strategic business assessments across diverse market sectors.

Appointment to the Board
Damon was appointed to the Board in May 2013. On the recommendation of the Nomination Committee, the Board agreed to extend his appointment for a further three years from May 2016.

Independent
Yes.

Committee memberships
Member of the Remuneration Committee, Audit Committee and Nomination Committee.

Current external appointments
Damon holds advisory roles for a number of smaller companies in the digital media, sport and finance sectors. He is currently Chairman of New Telecom Express Group, an interactive media service provider he co-founded in 1989. Telecom Express was sold to AMV BBDO, part of the Omnicom Group, in 1998. In 2004, Damon led a successful management buyout. He has almost 30 years' experience in this fast-paced and ever-evolving, dynamic industry.

Previous appointments
Damon was previously Non-Executive Director of iannounce before its merger with Legacy.com in May 2013.

Skills and business experience
- Extensive digital and media technology experience.
- Strong strategic and commercial understanding.
- Significant experience in alliances, ventures and partnerships.
- Knowledge of service-related industry requirements and key client relationships.

The Workspace Advantage sums up our ethos: terrific locations to work in, up-to-the-minute technology, a great sense of community and joined-up thinking – all of which allows businesses to concentrate on what they're here to do... thrive!

Damon Russell
Non-Executive Director

Non-Executive Directors
continued

The Workspace Advantage is providing exactly what London's growing and vibrant economy needs: office space on flexible terms in convenient locations with great amenities.

Stephen Hubbard
Non-Executive Director

Appointment to the Board
Stephen was appointed to the Board in July 2014. On the recommendation of the Nomination Committee, the Board agreed to extend his appointment for a further three years from July 2017.

Independent
Yes.

Committee memberships
Member of the Remuneration Committee, Audit Committee and Nomination Committee.

Current external appointments
Stephen is currently Chairman of CBRE UK. He joined Richard Ellis in 1976 and held the position of Head of EMEA and UK Capital Markets from 1998 to 2012. He is Non-Executive Chairman of LXI REIT PLC and a member of the advisory board of Redevco, a pan-European property holding company.

Skills and business experience
- Many years' experience of operating within the property sector.
- Experience of regeneration and development projects.
- Investment and transactions.
- Detailed knowledge of risk assessment and management systems.
- Strong financial skills.

Company Secretary

Workspace has a fantastic culture with collaboration at the heart of it. This means all our people are focused on delivering the Advantage to our customers and shareholders.

Carmelina Carfora
Company Secretary

Date appointed
Carmelina was appointed Company Secretary in March 2010.

Responsibilities
Carmelina is Secretary to the Board and its Committees, ensuring compliance with its procedures and providing advice on governance matters. At the direction of the Chairman, she is responsible for ensuring 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, monitoring and compliance with legislation, administration, vesting and granting of awards under the Company's share schemes.

Background and relevant experience
Carmelina was previously Group Company Secretary of Electrocomponents plc. She has also worked in the construction industry and for a consultancy firm offering company secretarial services.

Overview
Strategic Report
Our Governance
Financial Statements
Additional Information

Executive Committee

Role 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 processes to ensure that they are embedded within the Group.

21

The Committee met 21 times during the year ended 31 March 2018

Activities in 2017/18

- Developing the Group strategy and budget for approval by the Board.
- Monitoring of operational and financial results against plans and budgets.
- Considering regulatory developments and the GDPR compliance programme.
- Reviewing and approving capital expenditure within the authorities delegated by the Board.
- Collectively responsible for the day-to-day running of the business.
- Developing leadership skills and the future talent of the business so that strong succession plans are in place as the Group develops.
- Analysing and reviewing initiatives of particular interest to the Company and presenting these to the Board as appropriate.
- Ensuring the effectiveness of risk management and control procedures.

Composition of the Executive Committee

1. Jamie Hopkins
Chief Executive Officer
Specific responsibilities
Strategic management; investor relations; day-to-day operations; acquisitions and disposals; health and safety; staff; equal opportunities; remuneration; training and development; Chairman of the Executive, Investment and Risk Committees; and development of the brand.

Full biography on page 84.

2. Graham Clemett
Chief Financial Officer
Specific responsibilities
Finance; treasury; tax; company secretarial, governance and compliance; investor relations; and information technology.

Full biography on page 85.

3. Chris Pieroni
Operations Director
Specific responsibilities
Corporate and business development; marketing; and new business initiatives.

Background and relevant experience
Chris joined the Group as Operations Director in October 2007. Prior to joining Workspace, he worked at KPMG specialising in real estate and infrastructure finance. He began his professional career teaching economics at Cambridge University. Chris was a Non-Executive Director of the Group from 2000 until his retirement from the Board in August 2006. Chris was Chairman of the Business Centre Association from 2014–2016.

4. Angus Boag
Development Director
Specific responsibilities
Planning consents; redevelopment and refurbishment projects; joint ventures; valuations; sustainability and environmental strategy; and project management.

Background and relevant experience
Angus joined the Group in June 2007 as Development Director. He has expertise 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.

5. John Robson
Asset Management Director
Specific responsibilities
Asset management of the portfolio, including lettings, lease renewals, refurbishments and facilities management.

Background and relevant experience
John joined Workspace in May 2008 as an Asset Manager. John was promoted to Head of Asset Management in February 2013 and Asset Management Director in October 2017. Prior to joining Workspace, John qualified as a chartered surveyor and worked for Legal & General Investment Management, London Merchant Securities and ING Real Estate.

The Executive Team pictured at The Pill Box

1. Jamie Hopkins
Chief Executive Officer

2. Graham Clemett
Chief Financial Officer

3. Chris Pieroni
Operations Director

4. Angus Boag
Development Director

5. John Robson
Asset Management Director

The Pill Box
A 50,000 sq. ft. business centre in Bethnal Green that sits in our like-for-like portfolio and continues to perform well. A former pharmaceutical factory, Workspace carried out a full refurbishment of the property in 2013, creating a fantastic space for creative businesses, with an award-winning café, co-working space, roof terrace looking over the city and a gym in the basement.

Relations with Shareholders

Engaging with Shareholders is a priority for our business to ensure good understanding of our investment case.

Jamie Hopkins
Chief Executive Officer

Workspace recognises the importance of active engagement with Shareholders in order to create a productive and regular dialogue that is not solely limited to financial calendar events.

The Company has a comprehensive investor relations programme, including regular engagement with investors, major institutions and private client fund managers.

Throughout the year, meetings are arranged, both proactively and on request, for the Chief Executive Officer, Chief Financial Officer and Head of Corporate Communications with institutional Shareholders and sell-side analysts to discuss the Company's business model, strategy and marketplace, as well as update on performance. These visits often include site visits which provide Shareholders with valuable insight into the business. The Chairman is also available to meet with major Shareholders, independently of the Executive Directors, as required.

The Group's investor website, www.workspace.co.uk/investors, holds all presentations made to analysts and investors for interim and full year results, as well as webcasts, and is also used as a means of providing additional sources of information for Shareholders. The website is kept up-to-date with RNS announcements, share price performance and other news, as well as details of the Group's sustainability strategy and achievements.

The Annual Report and Accounts is sent to all Shareholders who wish to receive a copy. It is also available in the investor section of the Company's website at www.workspace.co.uk/investors.

During the year, the Chief Executive Officer, Chief Financial Officer and Head of Corporate Communications held over 135 meetings with UK and overseas institutional investors, comprising both current and potential Shareholders. Meetings involved either group or individual presentations and, in some cases, tours of the portfolio. The tours provide a good opportunity to see the Group's properties, understand our strategy, and to meet customers, members of our management team and centre staff.

Twice a year, following the results roadshows, a detailed report is collated for the Board, including feedback from investors and sell-side analysts. This highlights Shareholders' views on the Company's performance, strategy and any concerns they have raised.

Annual General Meeting
The Directors use the occasion of the AGM to engage with Shareholders, and it is an opportunity for Shareholders to ask questions of the Chairman, members of the Board Committees and other Directors, both during the meeting and to meet informally afterwards.

Workspace investor relations programme includes the following activities:

1. Analyst engagement
The Executive Committee engages with sell-side analysts formally at the Full and Half Year results presentations and at the annual Capital Markets Day. All RNS announcements, including quarterly trading updates, are sent to analysts throughout the year. In addition, the Chief Financial Officer and Head of Corporate Communications are in regular dialogue with analysts as they update their models and publish research on the Company.

Why it is important
Sell-side analysts write independent research on the Company, which is sent to existing and prospective investors. It is therefore important that analysts have up-to-date and accurate information on the business and its strategy in order to present a fair view.

Frequency
Three formal meetings per year, plus regular ongoing dialogue.

2. Investor roadshows
In addition to the results' presentations, which investors and analysts attend, management carry out investor roadshows in the UK immediately after the Full and Half Year results, generally spending four to five days on the road in London and Scotland. Additional roadshows are arranged during the year to regional cities in the UK, Continental Europe and the US.

Why they are important
The roadshows give Shareholders an opportunity to meet with management one-on-one or in small groups to discuss the results, business model and strategy, and raise any questions they may have about the Company and its performance.

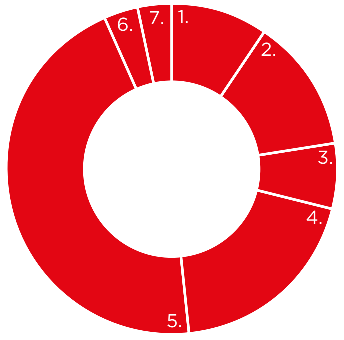
Frequency
Two formal roadshows per year, plus at least two further roadshows arranged as necessary.

3. Webcasts
The Full and Half Year Results presentations are streamed on the Company's website via a live webcast and made available for replays following the event.

Why they are important
The webcasts allow analysts and investors to hear the management team present the results if they cannot attend the event in person, and broaden the Company's reach to investors based overseas.

Frequency
Twice per year.

Overall balance of activities 2017/18



1. Analyst engagement **3**
2. Investor roadshows **4**
3. Webcasts **2**
4. Bank and industry conferences **6**
5. Investor tours **14**
6. The Annual General Meeting **1**
7. Capital Markets Day **1**

4. Bank and industry conferences
The Executive Directors and Senior Management team regularly attend and present at Real Estate Conferences held by banks and industry bodies, e.g. EPRA, in the UK, Europe and US.

Why they are important
Conferences provide a good opportunity to meet a large number of investors and industry associates in one place. They often include presentations or panel discussions on industry trends and allow the Executive Directors to build relationships with key players in the sector, as well as demonstrate the strength and depth of the management team. Additionally, they often provide an opportunity to hold one-on-one and group meetings with investors outside of the formal roadshow schedule.

Frequency
Six conferences attended this year.

5. Investor tours
Tours of the Group's assets are organised regularly, both proactively and on request, for existing and prospective investors. These are carried out by the Executive Directors and the Head of Corporate Communications, with Asset Managers, Centre Managers and other team members often present.

Why they are important
The tours showcase the properties within the portfolio and demonstrate the operational model Workspace has adopted, as well as the high levels of activity ongoing across the Group. They allow investors to see the space being used by customers and demonstrate the business model and strategy in action.

Frequency
14 tours conducted this year.

6. The Annual General Meeting
The Annual General Meeting ('AGM') will be held at the Company's business centre at 160 Fleet Street, London EC4A 2DQ and is attended by the full Board of Directors. Details of the resolutions to be proposed at the AGM on 13 July 2018 can be found in the Notice of AGM, which is available at www.workspace.co.uk, and will be dispatched to Shareholders who have requested a hard copy of the documentation from the Company. All Shareholders are invited to vote on the Resolutions, and the results are made available after the meeting and published on our investor website.

Why it is important
The AGM provides Shareholders with a forum to put questions to the Board of Directors, and to vote on important issues within the business.

Frequency
Once a year.

7. Capital Markets Day
The Capital Markets Day is held once a year and includes either a tour of the Group's properties or management presentations. The Executive Directors are all present, as well as a group of Centre Managers and other members of the management team.

Why it is important
As well as showcasing the Group's properties, the Capital Markets Day allows Workspace to educate analysts and investors on different aspects of the business and demonstrate how it is driving value and growth from its real estate and customer proposition. We have scheduled the next Capital Markets Day for October 2018, when we expect to conduct a tour of several properties and provide insights into our customer base.

Frequency
Once a year.

Our ongoing investor relations calendar of events

		Regular programme	
	Calendar of events	Investor meetings	Investor tours
2018			
July	– AGM – Q1 Business Update	✔	✔
August		✔	✔
September	– US and UK investor conferences	✔	✔
October	– Capital Markets Day	✔	✔
November	– Half Year Results – Investor roadshow	✔	✔
December		✔	✔
January	– Investor conference – Q3 Business Update	✔	✔
February		✔	✔
March	– Year end – US and UK investor conferences	✔	✔
April		✔	✔
May		✔	✔
June	– Full Year Results – Investor roadshow	✔	✔

Effectiveness

Diversity of skills, knowledge and experience is essential in ensuring that we have a strong and highly effective Board.

Daniel Kitchen
Chairman of the Nomination Committee

Independence of Non-Executive Directors
During the year, the Board considered the independence of all of the Non-Executive Directors, save for the Chairman who was deemed independent by the Board at the date of his appointment.

The Board considers 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. All Non-Executive Directors act in a robust and independent manner and bring constructive challenge to Board discussions and independent decision-making to their Board and Committee duties.

As in previous years, the independence of Stephen Hubbard was specifically considered during the year. Stephen is Chairman of CBRE UK and is a member of their Management Board. CBRE are the Group's external independent valuers. Stephen does not take part in any considerations of the valuation of the Group's property portfolio at either Board or Committee level. Furthermore, he has no involvement in any discussions or decisions regarding the appointment of CBRE or the fees paid to them. The Board is satisfied and continues to conclude that Stephen remains independent both in character and judgement.

Re-election of Directors
In accordance with the UK Corporate Governance Code, all Directors will stand for re-election at the Annual General Meeting ('AGM') on 13 July 2018. Following the Board evaluation review during the year, the Chairman considers that each Director continues to operate as an effective member of the Board and has the skills, knowledge and experience that enables them to discharge their duties effectively, as members of the Board and the Board Committees. Consequently, the Board is of the opinion that the Directors continue to give effective counsel and commitment to the Company and, accordingly, should be re-appointed by the Company's Shareholders at the upcoming AGM. 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 re-appointed.

Mr Hopkins and Mr Clemett have service contracts and details can be found on page 133. None of the Non-Executive Directors have service contracts and are given letters of appointment.

The appointment of Daniel Kitchen may be terminated by either him or the Company giving six months' notice in writing.

Maria Moloney's second term of appointment as Non-Executive Director expired on 22 May 2018. Following a review of her performance, the Nomination Committee recommended that her appointment should be extended for a further three-year term. This recommendation was agreed by the Board in March 2018.

The appointment of Chris Girling, Maria Moloney, Damon Russell and Stephen Hubbard may be terminated by either the Company or any one of them giving three months' notice in writing.

Induction, training and development
All new Non-Executive Directors joining the Board undertake a formal and personalised induction programme which is designed to give him or her an understanding of the Company's business, governance and stakeholders. This will cover, for example, the operation and activities of the Group (including site visits and meeting members of the senior management team); the Group's principal strategic risks; the role of the Board; the decision-making matters reserved to the Board; the responsibilities of the Board Committees; and the Board's strategic objectives.

We recognise that our Directors have a diverse range of experience, and so we encourage them to attend external seminars and briefings, at the Company's expense, in areas considered appropriate for their professional development. The Company's principal external advisers provide updates to the Board, at least annually, on the latest developments in their respective fields.

Our Company Secretary also provides regular updates to the Board and its Committees on changes in legal, regulatory and corporate governance matters.

During the year, we organised presentations for the Board and its Committees on the following areas:
- Changes being proposed to the UK Corporate Governance Code.
- Executive remuneration trends and best practice.
- Cyber security.
- Requirements of the General Data Protection Regulation.
- Updates on our sustainability initiatives.

Independent advice
The 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.

Commitment
Non-Executive Directors are advised on appointment of the time required to fulfil the role and asked to confirm that they can make the required commitment. The Board is satisfied that each of the Non-Executive Directors is able to devote sufficient time to the Company's business. Letters of appointment for the Non-Executive Directors are available for inspection at the AGM.

Non-Executive Directors seek approval from the Chairman, prior to assuming additional external commitments which may affect their time available to devote to the Company's business. The Board is advised of any changes.

All Directors allocate sufficient time to discharge their responsibilities effectively. Directors notify the Chairman of any alterations to their external commitments, as they arise, with an indication of the time commitment involved. There were no changes during the year.

The Board is satisfied that all Non-Executive Directors are contributing effectively to the operation of the Board.

Positions held by the Non-Executive Directors are detailed in the section on Directors' biographies on pages 86 to 90.

External appointments
On 1 March 2018, Jamie Hopkins became a Non-Executive Director of St. Modwen Properties PLC.

On 1 June 2016, Graham Clemett was appointed as a Non-Executive Director of The Restaurant Group Plc.

Executive Directors are permitted to take a Non-Executive position in another company or organisation in order to broaden their skills and experience. The appointment to such positions is subject to the approval of the Board which considers, in particular, the time commitment required.

Information and support to the Board
The Board and its Committees are provided with comprehensive papers in a timely manner to ensure that members are 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 91. Through the Chairman, Carmelina is responsible for advising the Board on matters of corporate governance and ensuring 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 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 to ensure that they 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 ensure that actions are completed as agreed by the Board.

The Chief Executive Officer and the Chief Financial Officer ensure that the Board is kept fully aware, on a timely basis, of business matters relating to the Group.

Board performance evaluation
The Board recognises that annual performance evaluations enable it to improve its effectiveness and that of its Committees and Directors. In accordance with our policy to undertake the Board evaluation process externally every three years, our Board evaluation for the year under review was undertaken by Advanced Boardroom Excellence Limited, an independent third party, which carries out no other work for the Company. The evaluation covered the Board, Board Directors and its Committees. Individual meetings were held with each Director, members of the Executive Committee and the Company Secretary. The report was discussed at the April Board Meeting.

Outcomes
Overall, the evaluation considered that the Chairman and Chief Executive have an excellent working relationship which delivers clear leadership. In particular, we were pleased that the report highlighted the following strengths:
- The Board and its Committees continued to work well and that the Directors contribute effectively and demonstrate commitment to their roles;
- The Board's culture is one of openness and constructive debate; the style and tone was seen as respectful, with a collegiate and supportive environment;
- Debates held by the Board are seen as inclusive and dynamic; and
- The agenda is well structured, thus enabling Board members to prepare for meetings and ensure that decisions are made in good time.

The evaluation also reinforced the Board's commitment to the following:
- Strategy should continue to feature on the Board's agenda;
- Continue with the focus on succession planning for both Executive and Non-Executive Directors and for senior roles across the business;
- As the revised UK Corporate Governance Code unfolds, consider how the Board will engage with its stakeholders more generally, and how it might further develop the structure of its engagement with the business.

Chairman's evaluation
The Senior Independent Director normally chairs an annual 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 is conveyed by the Senior Independent Director to the Chairman. During the year under review, the Chairman's performance was appraised as part of the external Board evaluation. It concluded that the Chairman is highly respected and he was complimented for his leadership, experience and for his inclusive style during Board meetings.

Having considered the results of the review, the Board is satisfied that the Chairman continues to be effective and shows a high level of commitment in discharging his responsibilities.

Nomination Committee Report

Daniel Kitchen
Chairman of the Nomination Committee

Helping to deliver The Workspace Advantage:

The right balance of skills, knowledge and experience on the Board and Executive Committee help us to deliver The Workspace Advantage to all our stakeholders.

2

The Committee meets as required and did so on two occasions during the year ended 31 March 2018.

Remit of the Nomination Committee

- Reviewing the structure, size and composition, including the skills, knowledge, independence, experience and diversity of the Board, and making recommendations with regard to any changes.
- Reviewing the results of the Board performance evaluation process that relate to the composition of the Board.
- Considering succession planning for Directors and other senior Executives, to ensure progressive refreshing of the Board.
- Evaluating the balance of skills, knowledge and independence on the Board and, in light of this evaluation, preparing a description of the role and capabilities required for a particular appointment and its expected time commitment.

Nomination Committee activities in 2017/18

- Considered Board succession plans.
- Reviewed the composition of the Board and its Committees.
- Agreed the extension to the letter of appointment for Maria Moloney.
- Reviewed the Committee's Terms of Reference.
- Considered and recommended the re-election of each Director at the AGM.
- Received updates from the Chief Executive Officer on succession planning for the Executive Committee and Senior Management team.

Role of the Committee

The Nomination Committee considers the structure, size and composition of the Board. It regularly reviews the balance, skills and experience of the Board, advising on succession planning and making appropriate recommendations to ensure that the Board is appropriately balanced to support the Group's strategy. It is responsible for reviewing the Group's senior leadership needs and leads on the process for Board appointments.

Composition of the Committee

- Daniel Kitchen – Chairman.
- Stephen Hubbard.
- Maria Moloney.
- Chris Girling.
- Damon Russell.

For full biographies, see pages 86 to 90.

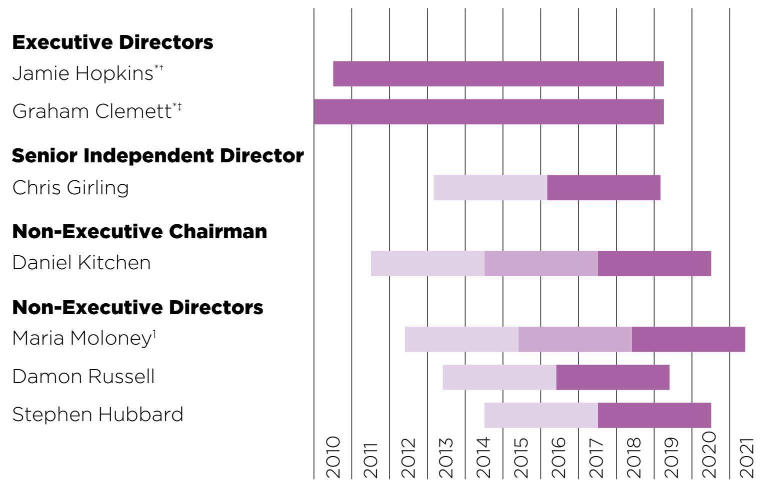
Attendance

	Mar 2018	May 2017
Daniel Kitchen	✓	✓
Stephen Hubbard	✓	✓
Maria Moloney[1]	✗	✓
Chris Girling	✓	✓
Damon Russell	✓	✓

✓ Meeting attended

1. Maria Moloney did not attend the meeting in March 2018, as the business of the meeting was in relation to her reappointment as a Director of the Company.

Directors' tenure as at 31 March 2018



Initial term · Second term · Duration of current term

* 12-month rolling contract.
† Appointed Non-Executive Director in June 2010 and Chief Executive Officer in April 2012.
‡ Appointed Chief Financial Officer in July 2007.
1. Maria Moloney's second term expired in May 2018. On the recommendation of the Nomination Committee, the Board agreed to extend her term to May 2021.

For dates of letters of appointment and unexpired terms for Non-Executive Directors, see page 133.

For details of Executive Directors' service contracts, see page 133.

Dear Shareholder

On behalf of the Committee, welcome to the Report of the Nomination Committee for the year ended 31 March 2018. Whilst there have been no changes to the Board during the financial year, the Nomination Committee has continued to support the Board in ensuring its composition has the right balance of skills, experience, independence and knowledge to support the business and to fulfil the Board's responsibility to Shareholders.

The Committee's role and responsibilities are set out in its Terms of Reference, which are reviewed annually and approved by the Board. These are available on the Company's website at www.workspace.co.uk.

Succession planning

The key objective of the Committee is to regularly review the skills and experience of the Board and to ensure that it is of the right size, structure and composition. The Committee plays a vital role in ensuring that Workspace is headed by a Board which is collectively responsible for the long-term success of the Company. We continue to focus on the need to ensure that there are no gaps in the skills or experience as members of the Board reach the end of their relevant terms. In doing so, last year we stated that as a general principle, new Non-Executive Directors would join the Board two years prior to existing members reaching the end of their relevant term. This will ensure that the evolution of the Board's membership is planned and properly managed. This approach will continue to be the focus of the Committee as it considers the mix and diversity of skills and experience that will be required of prospective Board members in the context of the Group's medium- and long-term strategy.

The length of tenure of our Non-Executive Directors is contained on page 133.

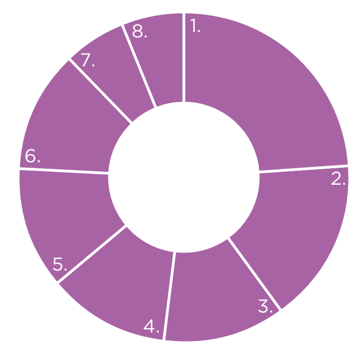
During the year, changes were made to the membership of the Executive Committee. We regularly consider the depth and experience on the Executive Committee and, as a result, in October 2017, we approved the internal promotion of John Robson to the role of Asset Management Director. John has worked for the Company since May 2008 and his biography can be found on page 92.

Looking forward

Looking forward to 2018, the Committee will continue with its review of succession plans in the context of the Group's strategy and to ensure an orderly and progressive evolution of the Board's membership.

Daniel Kitchen
Chairman of the Nomination Committee
5 June 2018

Board experience



1. Property 24%
2. Financial 16%
3. Construction 12%
4. Telecoms and media 12%
5. Advisory 12%
6. Legal 12%
7. Local council 6%
8. Utilities 6%

Members of the Committee

All members of the Committee are independent Non-Executive Directors, with each bringing a wealth of commercial experience, across a range of industries. The Committee is responsible for keeping its composition under review and for making recommendations to the Board as to its membership.

The Chairman of the Board chairs all meetings of the Committee unless a matter relates to the Chairman, in which case the Senior Independent Director (SID) is invited to take the Chair.

How the Committee operates

The Committee met formally on two occasions, primarily to progress succession planning and to discuss the annual re-election of Directors and the reappointment of Maria Moloney, approval of which was granted by the Board in March 2018.

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.

Appointments to the Board

The Nomination Committee is chaired by the Chairman of the Company and comprises all of the Non-Executive Directors. As the need arises, the Committee is assisted by external search consultants.

The Committee ensures that there is a formal, rigorous and transparent procedure for the appointment of new Directors, with the first step being a detailed evaluation of the current composition of the Board, taking into account the balance of skills, experience, knowledge and diversity.

The Committee then prepares a candidate specification for approval by the Board.

There has been no Board Director recruitment activity for the year under review.

Independence and re-election to the Board

As at 31 March 2018, the Board comprises the Chairman, two Executive Directors and four Non-Executive Directors. The biographies of all members of the Board outlining the experience they bring to their roles are set out on page 80 and pages 84 to 90.

The composition of the Board is reviewed annually by the Nomination Committee.

The Committee conducted a review of the independence of Maria Moloney in the year as she reached the end of her current three-year term in May 2018. Maria was not present during the Committee's discussion. Having conducted its review, the Committee was satisfied that it was appropriate to recommend to the Board that Maria's appointment should be extended for a further three years.

Further details on the independence of Directors and their re-election can be found on page 98 and on page 3 of the 2018 AGM Notice of Meeting.

In accordance with the Code, all the Directors will retire and offer themselves for re-election by shareholders at the 2018 Annual General Meeting.

Further biographical information on each of our Directors can be found on pages 84 to 90.

Skills and knowledge of the Board

A key responsibility of the Committee is to ensure that the Board maintains a balance of skills, knowledge and experience appropriate to the operation of the business and required to deliver the strategy. The Committee is satisfied that the Board continues to have an appropriate mix of skills and experience to operate effectively. In addition, the Directors collectively have many years of experience, all gained from a broad range of businesses. They bring a range of expertise and knowledge of different business sectors to Board deliberations, which encourage constructive and challenging debate around the Boardroom table.

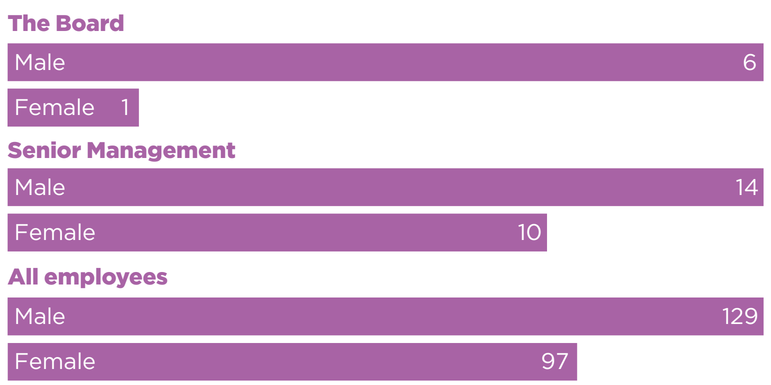
The Board experience by sector is illustrated on page 101.

Diversity

The Board recognises the importance of diversity, both in its membership and in the Group's employees. The Board understands the rationale for, and has followed the discourse on, quotas to achieve diversity. Its policy on diversity is that selection should be based on the best person for the role, and to ensure that its composition is diverse and has an appropriate balance of skills, experience and requisite knowledge to successfully deliver the Group's strategy. The benefits of diversity, including gender and ethnic diversity, will continue to be an active consideration whenever changes to the Board's composition are contemplated.

Further details on diversity can be found on pages 124 and 135. The gender diversity of the Board and Company is set out below.

Board diversity



Non-Executive appointments and time commitments

In making recommendations to the Board on Non-Executive Director appointments, the Nomination Committee will consider the expected time commitment from the proposed Non-Executive Director, and other commitments they already have to ensure that they have sufficient time available to devote to the Company.

Prior to accepting any additional commitments, Non-Executive Directors will discuss the details with the Chairman. Agreement of the Board is then required to ensure that any conflicts of interest are identified and that they will continue to have sufficient time available to devote to the Company.

Corporate Governance

During the year, the Committee reviewed the Terms of Reference for the Nomination Committee. There were no significant changes made to the existing Terms of Reference. These can be found on our website at www.workspace.co.uk.

Accountability

Transparency and effective risk management remain a focus.

Chris Girling
Chairman of the Audit Committee

The Directors consider that the Annual Report and Accounts taken as a whole is fair, balanced and understandable, and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

The Group's strategy and business model can be found on pages 16 and 28. A statement of the Directors' responsibilities regarding the financial statements is set out on page 139.

Internal control and risk management

The Board reviewed the Group's system of internal controls and risk management throughout the year. Processes and procedures have been established to enable the Directors to report on the effectiveness of internal controls in compliance with the Code. These processes and procedures involve the analysis, evaluation and management of the key risks to the Group. Further details are contained in the principal risks and uncertainties section on page 46.

An assessment of the principal risks facing the Company is set out on pages 46 to 56 and key performance indicators are on pages 35 and 40.

Going Concern and Viability Statement

Going Concern disclosures are included alongside the Viability Statement on page 57.

Takeover directive

Share capital structures are included in the Directors' Report on page 136.

Audit Committee and Auditors

The Audit Committee comprises four independent Non-Executive Directors. It met three times during the year under review, with meetings organised around the Company's reporting schedule.

Chris Girling, the Chairman of the Audit Committee, has been determined by the Board to have relevant financial experience as required by the Code.

The Audit Committee meets at least twice a year with its External Auditors, with no Company management present.

Further details on the work of the Audit Committee can be found in the Audit Committee Report on pages 104 to 110. Details of the composition of the Audit Committee are set out on page 105.

Audit Committee Report

The Workspace Advantage

Helping to deliver The Workspace Advantage:

Delivering The Workspace Advantage requires the Audit Committee to play a key role in ensuring the integrity of financial reporting and the maintenance of a sound internal control system.

Chris Girling
Chairman of the Audit Committee

3

The Audit Committee met three times during the year ended 31 March 2018

Remit of the Audit Committee

- Monitor the integrity of financial statements.
- Provide an opinion to the Board that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.
- Review and report to the Board on significant financial reporting issues and judgements.
- Review the adequacy of the Company's financial controls.
- Review and monitoring of risk management and internal controls.
- Ensure that at least once every 10 years the audit services contract is put out to tender.
- Make recommendations to the Board on the reappointment of the Company's External Auditors and their remuneration.

Role of the Committee
Our role is to monitor the integrity of the financial statements of the Group, review and report to the Board on significant reporting issues and judgements, and review and assess the adequacy and effectiveness of the Company's internal financial controls and other internal control systems.

Composition of the Committee
All members of the Committee, detailed below are independent Non-Executive Directors with a good diversity of experience, including property and finance. The Chair, Chris Girling, is a qualified accountant and has an appropriate level of recent and relevant financial experience to discharge his duties as Chair of the Committee.

- Chris Girling – Chairman
- Maria Moloney
- Damon Russell
- Stephen Hubbard

For full biographies see pages 87 to 90.

Attendance

	May 2017	Nov 2017	Feb 2018
Chris Girling	✓	✓	✓
Maria Moloney	✓	✓	✓
Damon Russell	✓	✓	✓
Stephen Hubbard	✓	✓	✓

✓ Meeting attended

The Company Secretary acts as the secretary to the Committee and attends all meetings.

Dear Shareholder
As Chairman of the Audit Committee, I am pleased to present the Committee's report for the financial year ended 31 March 2018.

The Report of the Audit Committee details the key activities of the Committee during the year under review, alongside its principal responsibilities. The Audit Committee, reporting to the Board, oversees the financial reporting process, monitors the effectiveness of internal control, risk management and the statutory audit.

External Auditor – Transition to KPMG LLP
Following the decision to undertake an audit tender in January 2017, a recommendation to appoint KPMG LLP as the Group's new External Auditor for the 2017/18 financial year was approved by the Board in January 2017, and was subsequently approved by Shareholders at the 2017 AGM.

In order to achieve as smooth a transition as possible, a plan was drawn up early on with the aim of familiarising the new lead audit partner, Richard Kelly, and his team with the Workspace business. KPMG had meetings with and shadowed the work of PwC LLP (PwC), the outgoing External Auditor, during the year-end process for 2017.

Introductory meetings were also held with senior management and members of the finance team to enhance KPMG's understanding of the Group and key business processes.

I am pleased to report that the transition to KPMG from PwC went well and they have gained a good understanding of the business over the last year. We look forward to working with KPMG over the coming years.

We thank PwC for their services and for supporting a smooth transition.

In future years, the Company intends to put the external audit out to tender at least every 10 years.

Review of material issues
During the year under review, the Committee has continued to review and report to the Board on the Group's financial and narrative reporting and internal control and risk management processes.

The Audit Committee has a key role in reviewing the narrative reporting and ensuring the financial statements provide a true and fair view of the Group's financial affairs. As part of this review process, we considered the significant financial judgements made during the year, along with other key financial reporting issues. In this context, we considered the valuation of the investment portfolio as a significant issue, for which further details are provided on page 108.

During the year, 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.

A description of the main activities and information on the other significant issues that the Committee considered during the year can be found on page 107.

Risk Management
The principal business risks facing the Company, which have been subject to robust assessment by the Board, are set out on pages 46 to 56, and the ongoing review and monitoring of the Group's risk management and internal control systems are described on page 110.

The Audit Committee and the Board have continued to assess the long-term viability of the Company, as required by the UK Corporate Governance Code. Further information can be found on page 108 and our Viability Statement is located on page 57.

Audit Committee evaluation
As a Committee, we are continually looking at opportunities to improve our effectiveness. The performance of the Committee was reviewed during the year as part of the external review of the Board and its Committees. The topics covered in the review focused on the skills and experience of the Audit Committee members, the number of meetings held and the quality of interaction between Committee members and members of the management team.

I am pleased that all aspects of the review were positive and that the Committee continues to operate effectively.

Governance
In order to ensure ongoing compliance with regulatory developments, the Committee's Terms of Reference are reviewed annually. Whilst the Terms of Reference were reviewed during the year, no significant changes were made and they are available on the Company's website at www.workspace.co.uk.

In the year ahead, we plan to continue to ensure that the Group's risk management and internal controls remain robust and to help secure the long-term success of the Company.

Chris Girling
Chairman of the Audit Committee
5 June 2018

Members of the Committee
All members of the Committee are independent Non-Executive Directors, who collectively have the skills and experience required to discharge their duties.

The Board is satisfied that Chris Girling, who was appointed Committee Chairman in July 2014, has the necessary level of relevant financial and accounting experience required by the provisions of the UK Corporate Governance Code to perform the role of Chairman, having previously held Chief Financial Officer positions in public companies. Chris is also a Chartered Accountant and he continues to chair the Audit Committee for another public limited company.

Meetings of the Committee
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 2017 and in February 2018. In addition, the Committee met in May 2018 to discuss the Annual Report, the property valuations and the findings of the external auditor. Meetings of the Committee generally take place just prior to the Board meeting.

Meetings are attended by the External Auditor and members of the Group's senior management team. Those people and advisers listed below attend meetings, at the request of the Committee Chair.

Attendee	Position
Daniel Kitchen	Chairman
Jamie Hopkins	Chief Executive Officer
Graham Clemett	Chief Financial Officer
Vivienne Frankham	Head of Finance
Angus Boag	Development Director
Chris Pieroni	Operations Director
KPMG LLP	External Auditor
Grant Thornton	Tax Advisers
CBRE	Valuers

The Committee Chairman reports the outcome of meetings to the Board.

The Committee has a rolling agenda that ensures it gives thorough consideration to matters of particular importance to the Company, identifying key areas of focus and emerging topics as appropriate. The Committee receives appropriate information far enough in advance to enable it to fulfil its responsibilities. This includes not only information from management but also detailed reports from the External Auditor.

Meetings with the External Auditor
At least once a year, usually preceding a Committee meeting, the Committee meets separately with the external audit engagement partner to give the Auditors an opportunity to discuss matters without the executive management team being present in order to receive feedback from them on matters such as the quality of interaction with management.

The Committee Chairman also holds separate one-to-one meetings with the Chief Financial Officer and the External Auditor (KPMG were appointed as the External Auditor during 2017/18), typically ahead of Committee meetings, in order to discuss key issues relevant to the Committee's work. Ensuring these lines of communication are open and working well is vital to the success of the Committee in carrying out its work and to ensure that sufficient time is devoted to matters at the subsequent meetings.

Meetings with CBRE
In addition, the Committee Chairman will also meet with the Group's independent property valuers (CBRE) to consider the valuation of our property portfolio.

2018 Annual Report and Accounts – Fair, Balanced and Understandable
The Directors are responsible for preparing the Annual Report. The Committee reported that based on its review of the relevant evidence, it was satisfied that the Annual Report:
- taken as a whole, is 'fair, balanced and understandable; and
- provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Board's statement on the Annual Report and Accounts is set out in the Statement of Directors' responsibilities on page 139.

Main activities of the Audit Committee in relation to the year ended 31 March 2018
The Audit Committee ensures the integrity of financial reporting and audit processes and the maintenance of a sound internal control and risk management system, details of which are described on page 110.

The table below summarises the agenda items covered at the Committee's meetings during this period:

Financial and narrative reporting	– Reviewed the Full and Half Year Results and associated announcements. – Reviewed the Group's Annual Report and Accounts to consider whether, taken as a whole, they were fair, balanced and understandable and whether they provide the necessary information for shareholders to assess the Company's position and performance. – Received corporate reporting updates and considered the approach to the 2018 Annual Report and Accounts. – Considered the appropriateness of the Group's accounting policies and practices.
External audit	– Reviewed and considered the KPMG Reports to the Audit Committee following the Half Year review and Full Year audit. – Discussed the Board's Representation Letter. – Reviewed the performance of the External Auditor and the effectiveness of the external audit process. – Discussed the audit and non-audit fees and independence of the External Auditor, taking into consideration relevant professional and regulatory developments, including mandatory auditor tendering.
Independence and objectivity of the External Auditor	– Considered the adequacy of the Group's procedures with regard to the objectivity and independence of the External Auditor, KPMG.
Portfolio valuation	– Considered the full and half year valuation of the Group's property portfolio and the external valuation process. Meetings were held with the external valuers to consider the portfolio valuation.
Taxation and REIT compliance	– Discussed the Group's compliance with REIT legislation and general tax matters.
Corporate Governance	– Received updates from the External Auditor on compliance and changes in Corporate Governance matters. – Considered the appropriateness of the Group's Viability Statement and Going Concern assumption. The Viability Statement and Going Concern is set out on page 57. – Considered the results of the external evaluation of the Audit Committee. – Reviewed the Terms of Reference for the Committee. – Received training and technical updates from the Company Secretary and the External Auditor. – Received an update from PwC on Cyber Security.
Reviewed the principal risks	– Reviewed the principal business risks, risk management and internal controls. The principal risks and risk management system are set out on pages 46 to 56. – Reviewed fraud risk.

Significant issues considered by the Committee

The Audit Committee considers all financial information published in the annual and half-year financial statements and considers accounting policies adopted by the Group, presentation and disclosure of the financial information and, in particular, 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 area of focus during the year is set out below:

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. The valuation is conducted externally by independent valuers. The valuers presented the year-end valuation to the Audit Committee. The Audit Committee reviewed the methodology and outcomes of the valuation, challenging the key assumptions and judgements. The objectivity and independence of the valuers is monitored by the Audit Committee. KPMG also met with the valuers and presented their views on the valuation to the Committee, as well as an explanation for how the valuation is audited. Based on the above, the Committee 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.

In addition, the Audit Committee considered a number of other judgements which have been made by management, none of which had a significant impact on the Group results.

Viability Statement process

The Viability Statement can be found on page 57.

Going Concern statement

The Going Concern statement can be found on page 57.

Developing a robust Viability Statement

In continued development of the Group's Viability Statement, existing processes were strengthened to ensure 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

Stage 1 **Risk identification**	**Stage 2** **Risk assessment**	**Stage 3** **Scenario sensitivity analysis**	**Stage 4** **Conclusions**
			The Board
			Audit Committee
Executive Committee	Executive Committee	Executive Committee	Executive Committee
Risk Committee	Risk Committee		
Senior Management	Senior Management	Senior Management	Senior Management
			External Auditor
We reviewed both strategic and operational risks to identify the principal risks to viability over the period under consideration. We considered the risks that would impact solvency and liquidity, either individually or in combination with other risks.	For each risk, we 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, we performed sensitivity analysis to understand the potential impact on liquidity and financial ratios.	The Board was presented with the findings from this analysis and given the opportunity to question the process and findings.

Non-audit services

The Audit Committee Terms of Reference establish a process for monitoring and approving the nature and the level of related fees for non-audit services (e.g. accounting, tax or due diligence work) paid to the Group's External Auditor.

The Group may use the External Auditor for relevant financial work for a variety of reasons, including their knowledge of the Group and understanding of our sector, the audit-related nature of the work and the need to maintain confidentiality.

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

The Audit Committee considered a formal policy specifying the types of non-audit service for which use of the External Auditor is pre-approved. This is in response to the 'Guidance on Audit Committees' issued by the Financial Reporting Council ('FRC') in April 2016. Consequently, it was agreed that all non-audit work and fees would be reported to the Audit Committee.

In addition, the Audit Committee will assess the threats of self-review by the External Auditor, self-interest, advocacy, familiarity and management. These are set out below and considered in relation to KPMG's services:

A self-review threat

This is where, in providing a service, the KPMG audit team could potentially evaluate the results of a previous KPMG service.

A self-interest threat

Where a financial or other interest (of an individual or KPMG) will inappropriately influence an individual's judgement or behaviour.

The Audit Committee will specifically perform 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 Committee Secretary and the Chairman 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.
- It will not accept significant contingent fee arrangements with the External Auditor.

An advocacy threat

This is where KPMG or KPMG personnel promote an audit client's position to the extent where KPMG's objectivity as External Auditor is compromised.

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

A familiarity threat

This is where, because of a too long or too close a relationship, the External Auditor's independence is affected.

- The Audit Committee will prohibit the hiring of former employees of the External Auditor associated with the Group's audit into management roles with significant influence within the Group within two years following their association with the audit, unless the Chairman of the Audit Committee gives prior consent. Annually, the Audit Committee will be advised of any new hires caught by this policy. There have been no instances of this occurring.
- The Audit Committee will monitor on an ongoing basis the relationship with the External Auditors, to ensure its continuing independence, objectivity and effectiveness by reviewing its tenure, quality and fees.

Management threat

This occurs when the audit firm performs non-audit services and management make judgements based on that work.

- The Group will not use KPMG for any services which would be considered management responsibility.

Internal audit

Due to its size and structure, the Group does not have an internal audit function, a matter which is kept under review by the Audit Committee. However, management mandates a programme of financial, operational and health and safety internal audits at its properties. These are carried out by qualified senior Head Office personnel on a rotational basis. All findings are reported to the Risk Committee with any significant findings reported to the Audit Committee.

Audit fees

Details of audit and non-audit fees paid to KPMG can be found in note 2 on page 154.

The only non-audit service performed by KPMG in the year was the review of the Group's half year results.

Annual Auditor assessment

Annually, the Committee assess the qualifications, expertise, resources, and independence of the Group's External Auditors, as well as the effectiveness of the audit process. It does this through discussion with the Chief Financial Officer and confirmations from the External Auditor.

As the financial year ended 31 March 2018 is KPMG's first as External Auditor, an assessment on external audit effectiveness will be completed later in 2018, when sufficient time has passed with KPMG in post. The Committee will consider aspects such as KPMG's experience and expertise, the extent to which the audit plan had been met and the content of its audit reports.

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 has 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 to ensure the objectivity of its audit report.
- It has internal procedures in place to identify any aspects of non-audit work which could compromise its role as auditors and to ensure the objectivity of its audit report.
- It believes that, in their professional judgement, the safeguards they have in place sufficiently guard against the threats to independence.

Consequently, KPMG consider that it has maintained its auditor independence throughout the year.

Furthermore, on the request of the Audit Committee, the views of key members of the finance team were sought on the handover process from PwC, the outgoing External Auditor. It was confirmed that KPMG had carried out a smooth handover process.

The Committee are satisfied that the Auditors are independent.

Risk management and internal control

The Audit Committee has a key role in ensuring appropriate governance and challenge around risk management. It also sets the tone and culture within the organisation regarding risk management and internal control.

Key elements of the Group's system of internal control include:
- A comprehensive system of financial reporting.
- An organisational and management Board structure with clearly defined levels of authority and division of responsibilities.
- A Risk Committee, which is chaired by the Chief Executive Officer and is attended by representatives from Senior Management and operational staff.

The Risk Committee formally reports to the Audit Committee at least twice a year on strategic and key operational risks, emerging issues and any internal control review work undertaken.

The Group aims to continuously strengthen its risk management processes through the involvement of the Audit Committee to ensure these processes are embedded throughout the organisation. The Audit Committee has reviewed the Group's system of controls including financial, operational, compliance and risk management 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.

Further information on the Group's risks is detailed on pages 46 to 56.

Whistleblowing

The Group has a 'whistleblowing procedure' through which employees may report, in confidence and anonymously if preferred, concerns about suspected impropriety or wrongdoing in any matters affecting the business. No matters were reported during the year.

Code of Conduct

The Group has a Code of Conduct which explains how employees are expected to fulfil their responsibilities by acting in the best interests of the Group. This includes compliance with laws and regulations; acting fairly in dealing with customers, suppliers and other stakeholders; treating people with respect and operating within a control framework.

Chris Girling
Chairman of the Audit Committee
5 June 2018

Risk Committee

The Workspace Advantage

Helping to deliver The Workspace Advantage:

By constantly assessing and managing the risks to our operations and strategy, the Risk Committee ensures that the business can continue to deliver The Workspace Advantage.

Jamie Hopkins
Chairman of the Risk Committee

Activities in 2017/18

- Reviewed and discussed the strategic risks for circulation to the Audit Committee and for inclusion in the Annual Report.
- Considered the operational risk registers for each functional area and agreed any changes.
- Received presentations from Senior Management, concerning controls over certain parts of the business or specific risks.
- Agreed an annual internal control review programme, which is also circulated to the Audit Committee.
- Discussed cyber security risks and agreed to include it as a distinct item in the risk register.
- Discussed changes in the regulatory environment and likely impact on the Company.
- Discussed the implications of the GDPR and the ongoing compliance programme.

5

The Risk Committee met five times during the year ended 31 March 2018

Role of the Risk Committee

The Risk Committee's responsibilities include, but are not limited to, the following:
- To drive and co-ordinate Workspace policy and procedure and training in relation to risk management.
- To promote and communicate risk management awareness, both financial and non-financial throughout the organisation.
- To challenge Executive Directors' review and appraisal of risk.
- To co-ordinate and manage a planned annual programme of review and testing of risks and controls aligned to requirements.
- To oversee and advise the Board on the current risk exposures of the Company and future risk strategy.
- To consider the Viability Statement and the related sensitivity analysis and report to the Audit Committee.
- To engage internal or external resources for the review and testing of risks and processes as agreed in the annual plan, or as required.
- To co-ordinate reports and papers for the Board and Audit Committee as required.
- To consider any developments in the external environment or regulation, which may impact on risk considerations.

Composition of the Committee

- Jamie Hopkins, Chief Executive Officer.
- Chris Pieroni, Operations Director.
- Carmelina Carfora, Company Secretary.
- Vivienne Frankham, Head of Finance.
- Kate Ankers, Chief Accountant.
- David Rees, Finance Manager.
- Claire Dracup, Head of Support Services.
- Tom Rahman, Head of IT Operations.

The Risk Committee is chaired by Jamie Hopkins.

In addition, employees from across the business, specifically centre managers, attend meetings of the Committee, by invitation, where they are asked to share any information which they feel is relevant, in order to assist the Committee in evaluating possible risks to the Company.

The following also attended meetings of the Committee during the year, again by invitation, in order to discuss their risk registers and to contribute to the discussions relating to their respective areas of expertise:
- Chief Financial Officer.
- Development Director.
- Other senior staff.

Helping to deliver The Workspace Advantage:

Owning and investing in the right assets is key to delivering The Workspace Advantage for our customers and enhancing the value of our portfolio for shareholders.

Jamie Hopkins
Chairman of the Investment Committee

Role of the Investment Committee

- Review and approve disposals and acquisitions of investment property assets which will also be approved by the Board; in particular, those with a value of more than £2m.
- Approve and monitor asset management initiatives greater than £0.1m.
- Approve and monitor progress on all refurbishment and redevelopment projects to ensure they are progressing in line with budget and are on target to meet completion dates.
- Review and approve additional business development projects.

Composition of the Committee

- Jamie Hopkins, Chief Executive Officer.
- Graham Clemett, Chief Financial Officer.
- Chris Pieroni, Operations Director.
- Angus Boag, Development Director.
- John Robson, Asset Management Director.
- Richard Swayne, Head of Investment.
- Clare Marland, Head of Corporate Communications.
- Mike Webber, Head of Financial Planning and Analysis.
- Simon Webb, Head of Professional Services.
- Carmelina Carfora, Company Secretary (Secretary to the Investment Committee)

The Investment Committee is chaired by Jamie Hopkins.

Brickfields, Hoxton E2 8HD
Opening 2019
Located in trendy Hoxton, just up the road from Shoreditch. Wrapped around a central atrium to allow natural light to flood the space. Complete with an on-site café, stylish meeting rooms and breakout spaces.

Activities in 2017/18

- Signed off significant refurbishment and redevelopment activity, including monitoring progress of ongoing projects, such as Brickfields in Hoxton and China Works on the South Bank.
- Approved the acquisitions of the Centro estate in Camden in January and April 2018 for a total of £185m, and The Salisbury, located in Finsbury Circus, for £158.7m.
- Agreed the disposals of Stratford Office Village in September 2017 for £14m and Zennor Road Industrial Estate, in Balham, in August 2017 for £30m.
- Received updates from the development team on planning consents awarded for a major refurbishment scheme at The Shaftesbury Centre, in Ladbroke Grove and for a mixed use development scheme at The Chocolate Factory and Parma House, Wood Green, Haringey N22.

20

The Investment Committee met 20 times during the year ended 31 March 2018

Remuneration

The Remuneration Policy rewards performance in keeping with the successful delivery of our strategy.

Maria Moloney
Chairman of the Remuneration Committee

The principal responsibility of the Remuneration Committee is to determine and agree the overall remuneration principles and the framework for remuneration of the Executive Directors and senior management team.

Where is the information?

Who is on the Committee, how many times did we meet and what did we do?

We met as a Committee eight times during the year. We believe it is important that the Committee keeps up-to-date on an ongoing basis during the year to ensure discussions are timely where business decisions may affect remuneration. Below we set out the key activities the Committee undertook during the year.

	Maria Moloney (Chairman)	Daniel Kitchen	Chris Girling	Stephen Hubbard	Damon Russell	Key agenda items
April 2017	✓	✓	✓	✓	✓	– Remuneration Policy review – status update. – Annual bonus 2016/17 – preliminary outcomes. – Update on progress of the Directors' Remuneration Report for 2017. – 2017 AGM Season update. – Salary increases for Executive Directors.
May 2017	✓✓	✓✓	✓✓	✓✓	✓✓	– Annual bonus outcome for 2016/17. – Approval of the new Long Term Incentive Plan ('LTIP') and the Deferred Bonus Rules. – LTIP awards for 2017. – CEO remuneration review. – Further draft of Directors' Remuneration Report for 2017. – Annual bonus 2017/18 targets. – Review of the performance conditions in connection with the 2014 LTIP vesting. – All staff remuneration overview.
July 2017	✓	✓	✓	✓	✓	– The 2017 Share Incentive Plan and LTIP awards. – Initial discussion on Executive Director objectives for 2017/18.
Sept 2017	✓	✓	✓	✓	✓	– Corporate Governance reforms update. – Review of adviser to the Remuneration Committee.
Nov 2017	✓	✓	✓	✓	✓	– Executive Directors' remuneration review. – Review of remuneration and the service agreement for new Executive Committee member. – Discussion on dividends payable on LTIP and deferred bonus shares. – Review of fees for the Company Chairman.
Jan 2018	✓	✓	✓	✓	✓	– 2018 Directors' Remuneration Report update. – Operation of Policy for 2018/19. – UK corporate governance update. – Terms of reference for the Remuneration Committee.
Mar 2018	✓	✓	✓	✓	✓	– First draft of Directors' Remuneration Report for 2018. – Incentive operating guidelines for Executive Directors. – Discussion on the external evaluation of the Committee.

For full biographies of the Committee members, see pages 86 to 90.

Who supports the Committee?

During the year, we sought internal support from the CEO and CFO, whose attendance at Committee meetings was by invitation from the Chairman, 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. Details on our advisers are shown on page 133.

Maria Moloney
Chairman of the Remuneration Committee

Helping to deliver
The Workspace Advantage:

Once the Board has determined and agreed the Company's strategic ambitions, the Remuneration Committee seeks to set a Remuneration Policy which is aligned with the delivery of those ambitions. Our role is to ensure that the remuneration arrangements for Executive Directors and other members of the senior management team appropriately reward performance, as well as offering encouragement to successfully deliver our strategy and create Shareholder value in a responsible manner.

New Policy taken to vote at the 2017 AGM with approval of

99.7%

Letter from the Chairman of the Remuneration Committee

Dear Shareholders,

Strategic ambition and link to remuneration

Our Remuneration Policy continues to be closely aligned to our strategy and to the delivery of The Workspace Advantage to customers and Shareholders alike. We aim to be transparent in the reporting of Executive remuneration. Our objective is to encourage a performance culture which delivers strong and consistent Shareholder returns and to reward this performance fairly and competitively.

In devising the Policy, the Remuneration Committee (REMCO) seeks to ensure that it:

- Is tightly aligned to strategy – to achieving stretching targets which demonstrate delivery of Workspace's strategy.
- Is based on pay for performance – linked to Company performance through variable pay instruments.
- Is competitive – benchmarked both internally with reference to Workspace senior management, to foster a culture of shared drive and commitment to the success of the Company, and externally against companies of comparable size and complexity.
- Has long-term alignment to Shareholder value by encouraging shareholdings in the Company by the Executive Directors and other members of the Executive Committee.
- Is corporate governance compliant – taking full consideration of evolving Shareholder and public attitudes towards Executive pay and associated best practice.
- Is risk-assessed – to ensure that Shareholder interests are guarded and that excessive or inappropriate risk is avoided.

As I noted in my letter last year, to ensure alignment with Workspace's intent to be a sustainable investment, the REMCO worked hard to produce our new Remuneration Policy, which was presented to you as Shareholders at the 2017 AGM. Your vote of 99.7% in favour of the new Policy reassures us of your assessment that the Policy is fit for the purpose of driving the long-term success of the Company.

We have summarised the key elements of this Policy on pages 120 to 121 for ease of reference.

How we performed in 2017/18

Since the AGM in 2017, much of the work of the REMCO has centred on overseeing the implementation of the new Policy and monitoring its performance.

We are happy that the Company is reporting another year of record net rental income, continued capital growth and strong trading profit. This gives us confidence that our employees are motivated to deliver The Workspace Advantage to customers and perform above expectations for Shareholders.

Demand has remained strong for our unique offer of market-leading office environments and for the supporting connectivity, events and community which are core to The Workspace Advantage.

Key performance metrics
Net cash flow from operating activities was £74m, which illustrates the cash-generating capability of Workspace's portfolio, following a strategy focused on operational excellence and cost efficiency.

The business has made great progress on executing our extensive refurbishment and redevelopment project pipeline, with a continued focus on delivering projects within budget and on schedule.

Personal performance and Committee assessment of performance
As noted above, our philosophy is to reward value creation and give appropriate recognition to our team's focus on delivering The Workspace Advantage. Executive Directors' compensation is delivered through variable pay elements whereby outcomes are conditional on the achievement of stretching targets. To ensure this, we pay a fixed salary and link variable remuneration to the delivery of annual objectives and long-term business performance. A large part of the remuneration package is delivered in shares, and members of the Executive Committee are required to build up significant shareholdings.

In line with our continued commitment to transparency and best practice disclosure, full details of objectives and the REMCO's assessment of Directors' individual performance are outlined on page 128.

The REMCO believes that these measures appropriately recognise and reward success against the business strategy as outlined on page 16.

Decisions made
Against the performance outlined above, the REMCO made the following decisions regarding the remuneration of the Executive Directors.

Pay increase in line with inflation and the rest of the Company
The REMCO has decided to increase the Executive Directors' salaries by 3%. This increase is felt to be appropriate in the light of the Directors' contribution to the Group's strong financial position over 2017/18. It remains consistent with the average salary increase across the Company and in line with the median increases awarded to the general UK employee population.

Annual bonus
An annual bonus opportunity of 120% of salary and a Long Term Incentive Plan ('LTIP') opportunity of 200% of salary operate for the CEO and the CFO.

The performance measures for the annual bonus are adjusted trading profit after interest (60%), Total Property Return (24%), customer satisfaction (12%) and personal performance (24%). Personal performance measures are described in detail on page 128.

In assessing pay for performance against our challenging targets, the REMCO approved the annual bonus outcome of 100% of maximum (or 120% of salary) and no discretion was required to be applied.

2017 LTIP
Performance conditions for LTIP awards made under the new Policy are based on relative Total Shareholder Return (50%) and Total Property Return against an IPD index (50%). The balance of the two measures selected is aligned to our strategy of driving income growth and enhancing Shareholder value.

As noted above, Workspace's investment case is built on the delivery of long-term sustainable performance and creation of long-term Shareholder value. For this reason, we have long holding periods, significant shareholding requirements and the majority of our incentives are weighted towards the LTIP, see page 121. Furthermore, a performance underpin ensures that the comparative performance is consistent with business performance and the Shareholder experience.

2015 LTIP
The 2015 LTIP award vested at 62.7%.

Pay in the wider context
The REMCO believes in aligning the direction of Executive remuneration with that of the wider workforce, ensuring a shared culture and a consistent focus on achieving Workspace's purpose, delivering our strategy and adhering to our Company values. We look to appropriately reward all employees who demonstrate deep knowledge of their subject, an inquisitive nature and thirst for innovation and genuine care for our customers, our communities and each other. These newly articulated values will be built into our recruitment and appraisal processes over the coming year, as part of a wider engagement and communications plan.

The REMCO is primarily responsible for determining the appropriate pay for the Executive Directors and the senior management team, and ensuring that their remuneration is closely linked to performance.

We are also acutely aware of our duty to pay close attention to the pay conditions and levels across the Company as a whole, to ensure that movements in our remuneration packages are both internally consistent and externally competitive. We continue to believe in our current approach, where the Remuneration Policy of our Executive Directors is aligned with that of other employees. This ensures that the CEO's pay is not only externally benchmarked but is also internally proportionate to that of the CFO, senior management and employees across the Company.

To assist in this, the REMCO receives updates from the Executives on their discussions and consultations with employees on remuneration. The REMCO also monitors information on bonus payments and share awards made to the wider senior management team.

During the year, the Government announced that the Directors' Reporting Regulations will be amended to require disclosure of the ratio of CEO pay to the pay of their UK workforce, alongside a narrative explaining changes to the ratio over time and how the ratio relates to pay and conditions across the wider workforce. In line with our commitment to transparent reporting, we have decided to disclose this information prior to the requirements coming into force, and this can be seen on page 125.

Please also see the graph on page 117 which demonstrates how our CEO pay matches our TSR performance. Further details can also be found on page 125.

Gender pay
The UK gender pay gap reporting requirement, designed to provide transparency in relation to the difference between men's and women's earnings within a company, came into effect on 6 April 2017 for companies employing more than 250 people. While Workspace is not of the size required to disclose our gender pay gap, we believe in providing equal pay for work of equal value, not just because it is a legal requirement but because it is the right thing to do.

The Board and leadership team recognises that inclusion and diversity in all its forms are vital in ensuring diversity of thought, experience and skills within a company. The REMCO will monitor the collation of information on Workspace's pay structures and closely follow the wider review of gender pay issues over the next year.

Remuneration Committee evaluation
The performance of the REMCO was reviewed during the year as part of the external review of the Board and its Committees. I am pleased to say that the REMCO continues to operate effectively.

In conclusion
This has been another very strong year, with notable successes for the Company. The REMCO is satisfied that we have the right Policy in place to support the implementation of our strategy, to allow us to continue to act fully in line with corporate governance best practice and to allow us to bring sustainable gains to our Shareholders.

In a rapidly evolving remuneration landscape, we attach great importance to a continuous dialogue with institutional investors and their representative bodies.

In keeping with the extensive consultation which we undertook as we developed our new Policy, we will continue to consult with Shareholders should there be any potential material changes to implementation of the Policy in the future, to ensure that our Remuneration Policy remains aligned with the long-term strategy.

Your input and voting outcomes in recent years suggest that you are in agreement with our Policy and approach. Our aim is to achieve an appropriate balance between fixed and variable remuneration, based on long-term performance criteria which are tied to the strategy and the risk appetite of the Company.

I would like to take the opportunity to thank Shareholders for their support over recent years and we look forward to continued dialogue going forward. In the meantime, if you would like to discuss any aspect of our Remuneration Policy, please feel free to contact me through our Company Secretary, Carmelina Carfora, at carmelina.carfora@workspace.co.uk.

Maria Moloney
Chairman of the Remuneration Committee
5 June 2018

Summary of our reward philosophy and how we apply it in practice

Our key objective is to help promote the long-term success of the Company by supporting an effective pay-for-performance culture which allows us to retain, motivate and attract highly skilled Executives to execute the Company's strategy.

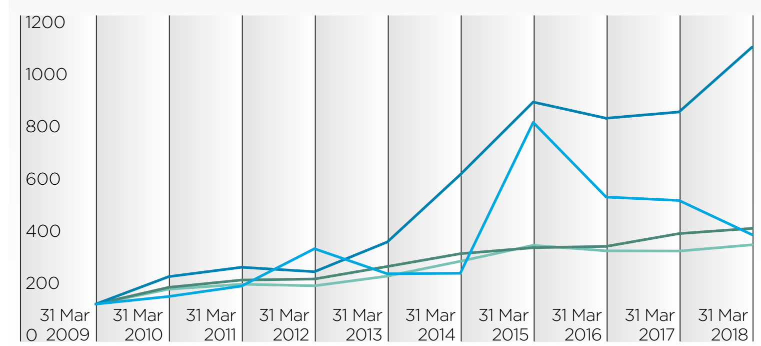
All of the performance measures in the annual and long-term incentive plans align to the Company's strategic priorities, as shown on page 118. We believe our annual bonus provides a good balance in rewarding financial performance for the year and also focusing Executives on the non-financial factors which help drive long-term success, such as customer satisfaction and other operational and strategic objectives. The LTIP measures of Relative Total Shareholder Return (TSR) and Total Property Return (TPR) are well aligned to our strategy of driving income growth and enhancing Shareholder value and incentivise out-performance of our peers.

This is the first year of our new Policy which:
- Simplified our long-term incentives by removing the matching plan so that now only a single Long Term Incentive Plan (LTIP) operates.
- Increased the bonus deferral in shares from 25% to 33%.
- Retained the maximum bonus opportunity of 120% and maximum LTIP opportunity of 200% of salary.
- Increased the holding period on the LTIP from one to two years.
- Increased the time period during which malus and clawback provisions can be applied for both the annual bonus and the LTIP.
- Increased shareholding guidelines from 150% to 200% of salary.
- Removed the exceptional pension maximum and introduced a maximum pension provision of 16.5% p.a.

How does our CEO pay match up to our TSR performance?
The chart below demonstrates the strong long-term alignment of our CEO pay and the returns to our Shareholders. We have achieved this through the CEO receiving a high proportion of his remuneration in shares and through our performance compensation which is based on measures which directly support the implementation of our strategy.

This chart compares the TSR performance of the Group against the FTSE 250 and the FTSE 350 Real Estate indices since 2009. These have been chosen as appropriate comparisons as Workspace is a constituent of the FTSE 250 and measures performance under the LTIP against constituents of the FTSE 350 Real Estate index.

Single figure against our long-term performance



- CEO single figure
- Workspace Group plc TSR
- FTSE 250 index
- FTSE 350 Real Estate Supersector index

Remuneration Report at a glance

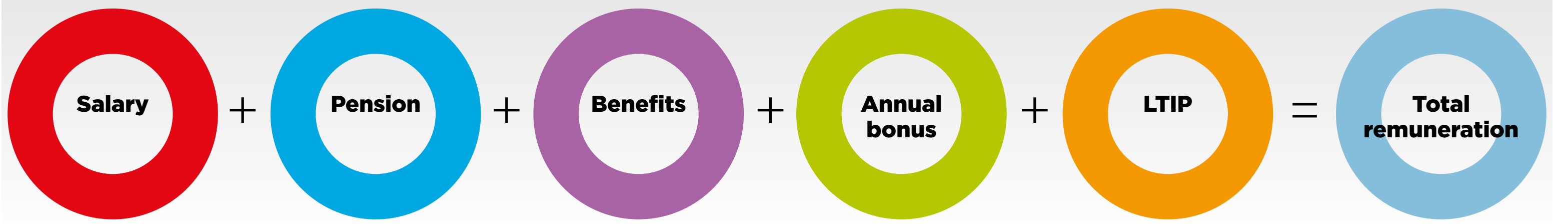
Workspace Executive pay
The components of remuneration

The Remuneration Report is colour coded as follows:

Fixed elements	Variable elements	Shareholding
Salary	Annual bonus	Shareholding guidelines
Pension	Long Term Incentive Plan (LTIP)	
Benefits		

Fixed

Variable



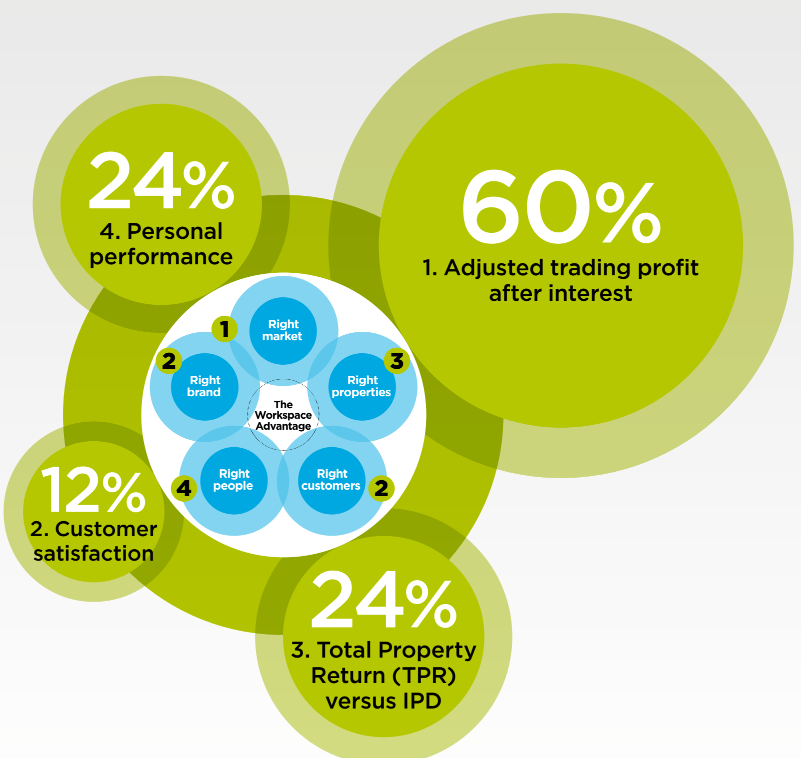
How do our incentive performance measures align to our strategy?
In executing our strategy, based on The Workspace Advantage, we aim to create value and positive outcomes for our Shareholders and all other stakeholders. We continually consider the performance measures we use for our incentives to ensure they support the delivery of our strategy.

The diagram below demonstrates how our incentive measures align to our strategy which has The Workspace Advantage at its heart.

Variable components

Annual bonus

Link to strategy
The measures provide a good balance of rewarding operational excellence, customer relationships and building deep market knowledge, which are the foundations of Workspace's future growth.



For the annual bonus, weightings are shown as a percentage of salary.

Variable components

LTIP (2017 onwards)

Link to strategy
The balance of the two measures is well aligned to our strategy of driving income growth and enhancing Shareholder value over the longer term.

For the LTIP, weightings are shown as a percentage of the Awards.

Business context
2017/18 out-turns against KPIs

£60.7m	Adjusted trading profit after interest (2016/17: £50.7m)
+4.2%	Total Property Return outperformance of IPD benchmark (2016/17: 2.4%)
89.3%	Customer satisfaction (2016/17: 88%)
£10.37	Net Asset Value per share (2016/17: £9.53)
18.55p	Dividend per share (2016/17: 14.27p)
8.4% p.a.	Absolute TSR over three financial years to 31 March 2018 which is the performance period of 2015 LTIP

Remuneration in respect of 2017/18

What did our Executive Directors earn during the year?

Fixed components

Jamie Hopkins, CEO	Graham Clemett, CFO
Salary: £479,700 (effective from 1 April 2017)	**Salary:** £293,200 (effective from 1 April 2017)
Pension: 16.5% of base salary	**Pension:** 16.5% of base salary
Benefits: include car allowance, private health insurance and other benefits	**Benefits:** include car allowance, private health insurance and other benefits

Variable components

Annual bonus 2017/18 out-turn

The following table sets out outcomes under the annual bonus.

	Threshold (0% payable)	Maximum (100% payable)	Outcome (% salary)	CEO Actual £000	CFO Actual £000
Adjusted trading profit after interest	Threshold: £57.9m / Target: £58.9m	Max: £59.9m Actual: £60.7m	60%/60%	**£287.8**	**£175.9**
Total Property Return	Threshold: Benchmark	Max: Benchmark+2% Actual: Benchmark +4.2%	24%/24%	**£115.1**	**£70.4**
Customer satisfaction	Threshold: 70%	Max: 80% Actual: 89.3%	12%/12%	**£57.6**	**£35.2**
Personal performance	Threshold: 0%	Max: 100% Actual: 100%	24%/24%	**£115.1**	**£70.4**
Total			**120%/120%**	**£575.6**	**£351.8**

More detail on the outcomes against personal objectives are set out on page 128. It should be noted that adjusted trading profit after interest exceeded the maximum.

2015 LTIP out-turn

The following table sets out outcomes under the 2015 LTIP performance measures, over the period 1 April 2015 to 31 March 2018.

	Threshold (0% payable)	Maximum (100% payable)	Outcome (% award)	CEO % vesting and outcome £000	CFO % vesting and outcome £000
Growth in NAV relative to the constituents of the FTSE 350 Real Estate Index excluding agencies.	Threshold: 51st	Max: 75th Actual: 94th	33.3%/33.3%	Performance shares: Outcome: £300.9	Performance shares: Outcome: £183.9
TSR relative to the constituents of the FTSE 350 Real Estate Index excluding agencies.	Threshold: 51st Actual: 64th	Max: 75th	21.4%/33.3%	Matching shares: Outcome: £167.5	Matching shares: Outcome: £183.9
Absolute TSR	Threshold: 8% p.a. Actual: 8.4% p.a.	Max: 17% p.a.	7.9%/33.3%		
Total 62.7%			**62.7%/100%**		

The share price used is the 3 month average to 31 March 2018 of £9.75.

Single figure for 2017/18 (£000) Jamie Hopkins, CEO	**£1,623.8**
Single figure for 2017/18 (£000) Graham Clemett, CFO	**£1,083.1**

What is 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 2017 AGM on 14 July. In addition, we have set out how the Policy was operated in 2017/18 and how it is intended to be operated in 2018/19. You can find the full Policy at www.workspace.co.uk.

What is our objective?
Our main objective is to help promote the long-term success of the Company, by:

- Supporting an effective pay for performance culture which allows us to retain, motivate and attract highly skilled Directors, who have a clear purpose and are of the necessary calibre to execute the Company's strategy.
- Achieving a strong alignment between Executive and Shareholder interests.
- Promoting a long-term ownership culture by encouraging the acquisition and retention of shares amongst the Executive Directors.
- Ensuring that we are totally au fait with the constantly changing regulatory and governance environment.

How do we take into account Shareholder views?
We have an ongoing dialogue with Shareholders and welcome feedback on Directors' remuneration. As part of the Policy review carried out in 2017, the Committee consulted with major Shareholders representing 70% of the share capital and the main investor bodies.

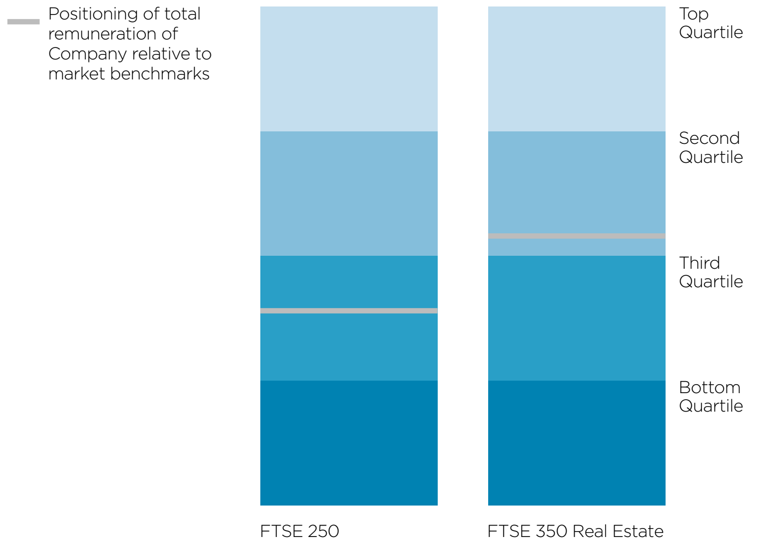
Summary table for Executive Directors

Element	2017/18	2018/19	2019/20	2020/21	2021/22	Operation	Opportunity	Operation in the year ended 31 March 2018 2017/18	Operation in the year ending 31 March 2019 2018/19
Base Salary To reflect market value of the role and an individual's experience, performance and contribution.						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.	Increases are applied in line with the outcome of the review. There is no prescribed maximum. Increases for Executive Directors will typically be in line with those of the wider workforce.	Jamie Hopkins (CEO) – £479,700. Graham Clemett (CFO) – £293,200.	Jamie Hopkins (CEO) – £494,090. Graham Clemett (CFO) – £302,000.
Pension To provide market competitive pensions.						Directors participate in a defined contribution pension scheme or may receive a cash allowance in lieu of pension contribution.	Up to 16.5% of salary.	Jamie Hopkins (CEO) – 16.5% of salary. Graham Clemett (CFO) – 16.5% of salary.	No change.
Benefits To provide market competitive benefits.						Benefits typically include car allowance, private health insurance, and death in service cover. In addition, Directors are eligible to participate in all-employee share plans, currently the SAYE and Share Incentive Plan.	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.	No change.
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.						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, or an error in calculation, up to the end of the deferral period.	The maximum bonus potential for Executive Directors is 120% of salary p.a.	Maximum opportunity: Jamie Hopkins (CEO) – Up to 120% of salary. Graham Clemett (CFO) – Up to 120% of salary. Performance conditions and weightings (as % of salary): – Adjusted trading profit after interest (60%). – Total Property Return (TPR) (24%). – Customer satisfaction (12%). – Personal performance (24%). Executive Directors awarded bonuses of: Jamie Hopkins (CEO) – 120% of salary. Graham Clemett (CFO) – 120% of salary. Deferral of 33% of bonus earned. See page 127 for further details on outcomes.	No change to type of performance condition or the respective weightings or maximum bonus potential for the Executive Directors. The Committee is of the opinion that, given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing 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 pay-outs under the annual bonus.
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.						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 (see above for reasons) up to the end of the holding period. Dividend equivalents may be accrued on shares in respect of the performance and holding period.	Normal maximum award of up to 200% of salary per annum.	Grant sizes for: Jamie Hopkins (CEO) – 200% of salary. Graham Clemett (CFO) – 200% of salary). Performance conditions are: – 50% Total Shareholder Return (TSR) relative to FTSE 350 property companies. – 50% Total Property Return (TPR) versus IPD. – A performance underpin will apply which allows the Committee to reduce vesting if performance is inconsistent with the overall performance of the business. The 2015 LTIP vested in the year at 62.7% of the award. See page 129 for further details on outcomes.	No change to maximum LTIP opportunities or the performance conditions.
Shareholding requirement						Shareholding guidelines for Executive Directors of 200% of salary.		Current shareholdings* are: – CEO: 270% of salary. – CFO: 463% of salary.	No change.

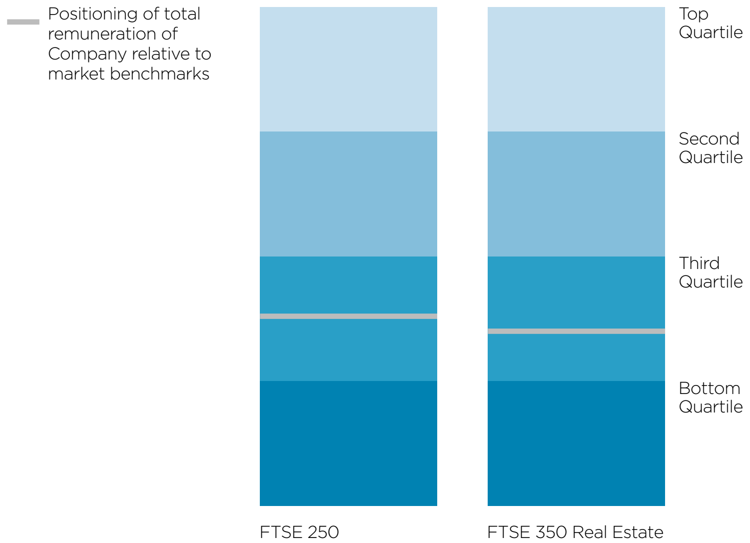
*Based on a share price of £9.15 being the average share price over the year up to 31 March 2018 and salaries of £479,700 and £293,200 for Jamie Hopkins and Graham Clemett respectively.

How does our target total compensation compare to our peers?
The following chart shows the relative position of target total compensation for our Executive Directors compared to our peers.

Chief Executive Officer



Chief Finance Officer



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 hopes the Executives will deliver above target performance, and this has been the case over recent years.

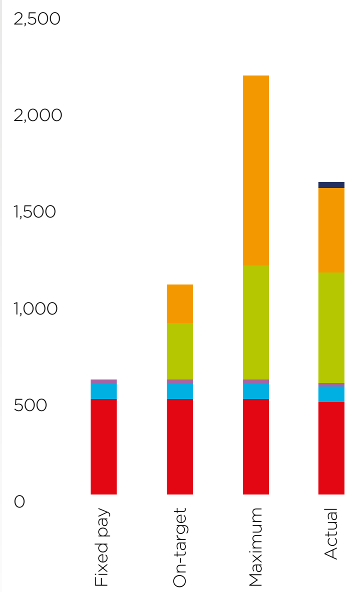
Additional context on our Executive Directors' pay

What is our 2017/18 single figure compared to our Policy?
When Shareholders approved our Remuneration Policy in 2017, we set out scenarios for the potential remuneration to be earned by our Executive Directors under the Policy for various performance assumptions. We have set out, at right, the actual single figure of remuneration for the Executive Directors against these scenarios to demonstrate how the actual remuneration paid lines up with our Policy.

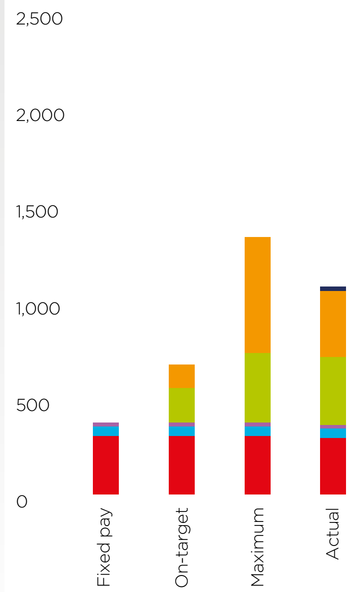
We have separated out the effect of share price growth on the share-based elements of the single figure for each Executive Director (see page 127 for details). A high proportion of our Directors' package is made up of shares, supporting the alignment of Executive pay with the interests of our Shareholders. The increased value in our remuneration from share price appreciation is beneficial for both Executive Directors and Shareholders.

- **Salary:** Latest known salary.
- **Pension:** Current contribution rate of 16.5% of salary.
- **Benefits:** As provided in the single figure table on page 127.
- **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:** portion of LTIP vesting value attributable to share price growth since grant.

Single figure
Jamie Hopkins, CEO
£000s

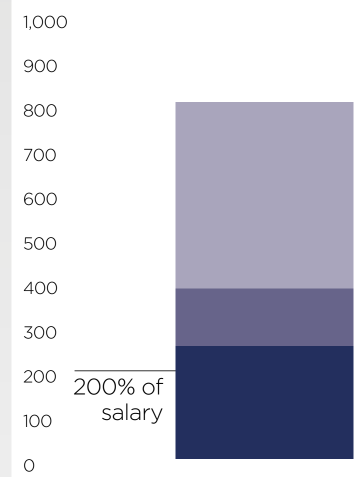


Single figure
Graham Clemett, CFO
£000s

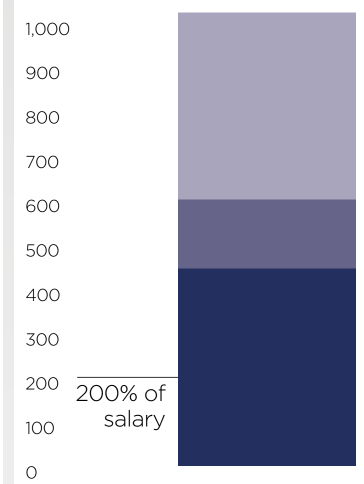


What is our minimum shareholding requirement and has it been met?
The following table shows that our Executive Directors have met their minimum shareholding requirements, and therefore already have strong alignment with our Shareholders. In addition, the table shows the substantial amount of equity which can potentially be earned by our Executive Directors over the next period, further increasing their exposure to the share price performance of the Company and ensuring that their holdings will increase over time.

Share interests
Jamie Hopkins, CEO
%



Share interests
Graham Clemett, CFO
%



- Owned outright or vested.
- Unvested and not subject to performance.
- Subject to performance.

See page 130 for more details.

Calculated using annual average share price to 31 March 2018 of £9.15.

Overall link to remuneration and equity of the Executive Directors
Our Executive Directors are encouraged to hold a high number of shares in order to ensure their interests align to those of the Shareholders, and that they take 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.

The table to the right sets out the single figure for 2017/18, 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.

	Jamie Hopkins	Graham Clemett
2017/18 single figure	£1,623.8	£1,083.1
Shares held at start of year	130,525	147,674
Shares held at end of year	133,082	142,627
Value of shares at start of year (£000s)[1]	£1,025	£1,159
Value of shares at end of year (£000s)[2]	£1,320	£1,415
Difference (£000)	+£295	+£256

1 Based on a closing share price on 31 March 2017 of £7.85.
2 Based on a closing share price on 31 March 2018 of £9.92.

Our approach to fairness and wider workforce considerations

When making remuneration decisions for the Executive Directors, we consider pay, policies and practices 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.

In this section, we provide context to our Director pay 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 with employees
The Board are committed to ensuring there is an open dialogue with our employees over various decisions. 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. This is supplemented by updates on the intranet. These briefings also serve as an informal forum for employees to ask questions about the Company.

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 ('SAYE') and the Share Incentive Plan ('SIP').

Equal opportunities
The Company 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 Company is responsive to the needs of its employees, customers and the community.

We are an organisation which uses everyone's talents and abilities, and where diversity is valued. The Company ensures its promotion and recruitment practices are fair and objective, and encourages the continuous development and training of its employees, as well as the provision of equal opportunities for the training and career development of all employees. Further details of this are shown on page 26.

Retirement benefit provision
The Group provides retirement benefits for the majority of its employees. The Group's commitment with regard to pension contributions, consistent with the prior year, ranges from 6% to 10% of an employee's salary, excluding Executive Directors.

The pension scheme is open to every employee in accordance with the new Government auto-enrolment rules.

Pay comparisons
The chart to the right shows the single figure of remuneration for our CEO over time, and the pay of our average employee, each rebased to 2009. We have also included our TSR performance over this period.

In advance of the incoming regulatory requirement to disclose the ratio of CEO pay to workforce pay, the Committee have chosen to disclose this ratio on a variety of bases, as shown at the bottom of the table to the right.

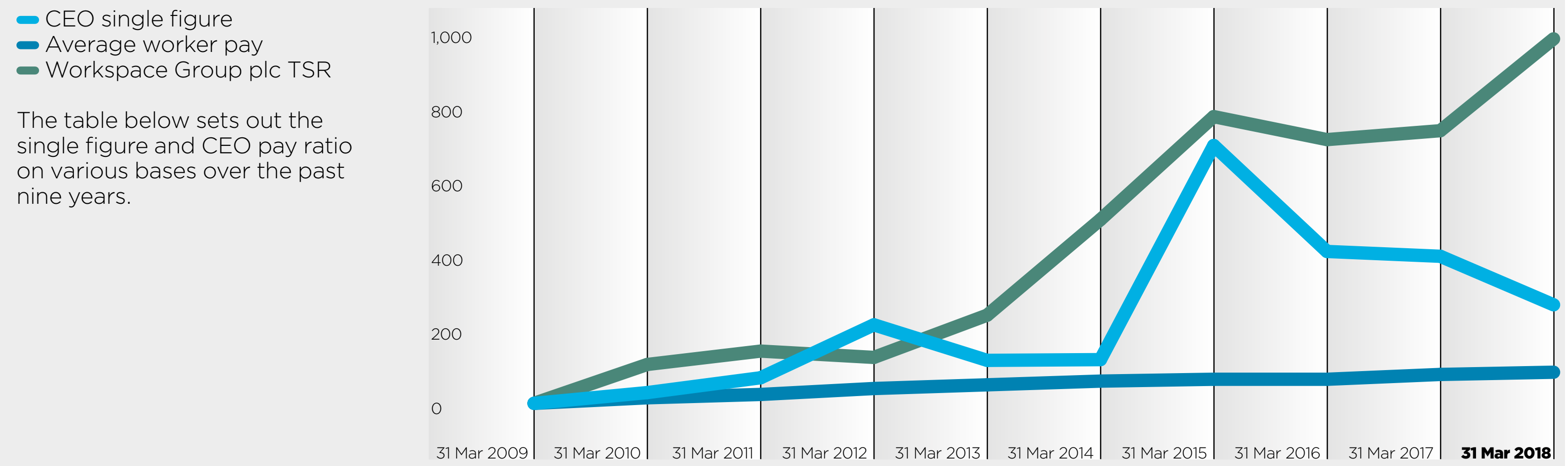
What does the chart show?
The chart shows that there is a strong correlation between our CEO pay and the Total Shareholder Return of the Company. We have achieved this through the CEO receiving a high proportion of his remuneration in shares and through the variable pay within his package being based 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.

What does the table show?
We have set out the ratio of CEO pay to that of the wider workforce on a variety of bases, and, over time, at the bottom of the table to the right. There is significant volatility in this ratio, and we believe that this is caused by the following:

- Our CEO pay is made up of a higher proportion of incentive pay than that of our employees, in line with the expectations of our Shareholders. This introduces a higher degree of variability in his pay each year which affects the ratio;
- The value of long-term incentives which measure performance over three years is disclosed in pay in the year it vests, which increases the CEO pay in that year, again impacting the ratio for that year;
- Long-term incentives are provided in shares, and therefore an increase in share price over the three years magnifies the impact of a long-term incentive award vesting in a year.

We recognise that 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.

Where the structure of remuneration is similar, as for the Executive Committee and the CEO, the ratio is much more stable over time.



The table below sets out the single figure and CEO pay ratio on various bases over the past nine years.

		31 Mar 2010	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015	31 Mar 2016	31 Mar 2017	**31 Mar 2018**
CEO single figure of total remuneration £000										
Jamie Hopkins[1]		–	–	27.4	960.3	966.9	3,533.1	2,262.7	2,205.6	**1,623.8**
Harry Platt[2]		573.7	748.7	1,359.6	–	–	–	–	–	**–**
Annual bonus pay-out										
Jamie Hopkins (% of maximum opportunity)		–	–	–	100%	97.8%	97.2%	95.3%	100%	**100%**
Harry Platt (% of maximum opportunity)		41.7%	85.5%	75%	–	–	–	–	–	**–**
LTIP vesting										
Jamie Hopkins (% of maximum opportunity)		–	–	–	–	–	100%	100%	88.7%	**62.7%**
Harry Platt (% of maximum opportunity)		0%	0%	66.5%	–	–	–	–	–	**–**
Ratio of single total remuneration figure shown to employees as a whole	to employee mean[3]	11x	13x	21x	14x	13x	46x	29x	27x	**19x**
	to employee median	–	–	–	–	34x	128x	79x	72x	**48x**
Ratio of single total remuneration figure shown to mean of Executive Committee members		–	–	–	–	0.8x	1.6x	1.1x	1.4x	**1.2x**

1. Mr Hopkins was appointed as an Executive Director on 12 March 2012.
2. Mr Platt retired as an Executive Director of the Company on 31 March 2012.
3. 'Employee mean' based on staff costs for the Group and the average number of persons employed during the year, sourced from the Financial Note to the Accounts.

What is the year-on-year change in our CEO remuneration?
The Committee monitors the changes year-on-year between our CEO pay and average employee pay, shown in the table to the right. As per our Policy, salary increases applied to Executive Directors will typically be in line with those of the wider workforce.

	CEO			All other employees
Executive Director	**2018 £000**	2017 £000	% change	% change
Salary	**479.7**	468.0	2.5%	3.7%
Taxable benefits	**18.8**	18.1	3.8%	11.2%
Annual variable	**575.6**	561.6	2.5%	6.2%
Total	**1,074.1**	1,047.7	2.5%	4.7%

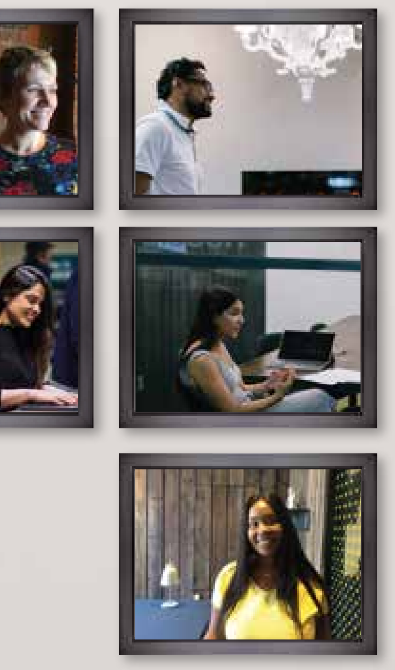
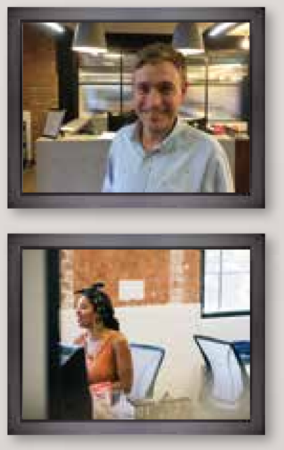
The table above shows the percentage change in CEO remuneration, comprising salary, taxable benefits and annual bonus, and comparable data for the average of employees within the Company. The comparator group is based on all employees (excluding the CEO), normalised for joiners and leavers during the year. The average number of people employed by the Group during the year was 217 (2017: 203). All employees are eligible for consideration for an annual bonus.

How do we cascade remuneration through the Company?

All staff in the Company are eligible to participate in the Company's bonus scheme, all-employee share schemes, pension scheme, life assurance arrangements and medical insurance benefits. Additionally, all employees participate in an annual bonus plan. All members of the Executive Committee and some senior staff are eligible to participate in the Company's LTIP.

Executive Committee members are also required to adhere to the Company's shareholding guidelines.

The following diagram demonstrates how Workspace's key objectives are reflected consistently in plans operating at all levels within the Company.

Eligibility	Number of people that this applies to[1]	Element	Details
Executive Committee 	**5**	**Shareholding guidelines**	Supports alignment of Executives' interests with Shareholders.
Executive Committee and Senior Management	**51**	**LTIP**	The LTIP reinforces delivery of long-term sector outperformance.
All employees  	**208** (as at 31 March 2018)	**Annual bonus**	All employees participate in annual bonuses. Opportunities and performance conditions may be tailored to reflect an individual's role and responsibilities.
		SAYE and SIP	Encourages employee engagement and reinforces our strong performance culture. Enables all employees to share in the long-term success of the Company and aligns participants with Shareholder interests.
		Fixed (salary, benefits, pension with a 2:1 match)	Salaries are set to reflect market value of the role and aid recruitment and retention. All employees are eligible for a 2:1 match on employee pension contributions of 3% or 5% of salary and receive a combination of benefits relevant for the role.

1. Subject to requirements on timing of awards as detailed in the relevant plan rules and/or completion of probationary periods.

How did we implement the Policy in 2017/18?

Single figure of Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 March 2018 and the prior year:

	Jamie Hopkins		Graham Clemett	
	2017/18 £000	2016/17 £000	**2017/18 £000**	2016/17 £000
Salary	**479.7**	468.0	**293.2**	286.0
Benefits[1]	**18.8**	18.1	**19.9**	19.9
Annual bonus[2]	**575.6**	561.6	**351.8**	343.2
LTIP[3]	**468.5**	1,076.2	**367.8**	738.4
Other – SAYE, SIP	**2.0**	4.5	**2.0**	2.3
Pension[4]	**79.2**	77.2	**48.4**	47.2
Total	**1,623.8**	2,205.6	**1,083.1**	1,437.0

1. Benefits: Taxable value of benefits received in the year by Executive Directors includes a car allowance, private health insurance and death in service cover.
2. Annual bonus: This is the total bonus earned in respect of performance during the relevant year. For 2016/17 and 2017/18, the Committee set a minimum deferral requirement of 33% of the bonus earned. For 2017/18, this deferral of 33% was equivalent to £189,961 for Mr Hopkins and £116,107 for Mr Clemett.
3. LTIP: The 2017/18 figure includes the estimated value of 62.7% of the 2015 LTIP shares that vested based on performance to 31 March 2018. The share price used is the three-month average to 31 March 2018 of £9.75. This will be updated in next year's report to reflect the share price on the date of vesting. The 2016/17 figures have been updated to reflect the share price on the date of vesting of £9.07.
4. Pension: During 2017/18 each of Messrs Hopkins and Clemett received a cash allowance in lieu of pension contribution.

Annual bonus payout in respect of 2017/18

For 2017/18 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 personal performance targets, and are calculated on a straight-line basis from 0% at threshold to 100% at maximum performance. Executive Directors will be required to defer 33% of their bonus into Company shares for three years. The stretching targets were set based on the Company's 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 below:

	Weighting as a % of salary	Measure	Achieved: Threshold		Achieved: Maximum	Opportunity and outcome as a % of salary: Jamie Hopkins	Opportunity and outcome as a % of salary: Graham Clemett
Corporate	60%	Adjusted trading profit after interest	£57.9m		£59.9m	60%	60%
				£60.7m		**60%**	**60%**
	24%	Total Property Return from portfolio versus a defined comparator Benchmark compiled by MSCI	Benchmark		Benchmark+2%	24%	24%
				Benchmark +4.2%		**24%**	**24%**
	12%	Customer satisfaction	70%		80%	12%	12%
				89.3%		**12%**	**12%**
Individual performance	24%	Personal performance (see below for full details of targets and assessment)				24%	24%
				See below for full details		**24%**	**24%**
			Annual bonus	Opportunity		120%	120%
				Outcome (% of salary)		**120%**	**120%**
				Outcome (£000)		**£575.6**	**£351.8**

As a result the following cash bonus and deferred bonus shares will be awarded:

	Cash bonus	Deferred bonus shares
CEO	£385,679	£189,961
CFO	£235,733	£116,107

Personal objectives

The Executive Directors' personal 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 personal objectives set out below, the Committee has awarded Jamie Hopkins and Graham Clemett 24% of salary under this element.

Objective	Target	Achievements in year
Active property portfolio management	– Identify scale acquisition opportunities across London and look to acquire where return criteria can be met.	– Three major acquisitions in key strategic locations completed for £368m.
	– Complete disposal of legacy industrial properties provided good value can be achieved.	– Two industrial estates sold for £80m, a 40% premium to their March 2017 valuation.
	– Continue to identify and progress opportunities for refurbishment and redevelopment across the portfolio.	– Four residential redevelopments sold for £41m in cash, and 55,000 sq. ft. of new commercial space. – Excellent progress on extensive pipeline of refurbishment and redevelopment projects with 18 projects currently underway to deliver 774,000 sq. ft. of new and upgraded space.
	– Continue to identify opportunities to grow ancillary income alongside maximising core rental income growth.	– 22% growth in meeting room income and launch of customer cleaning services. – 8.6% growth in like-for-like rent roll.
Maintain a low risk business profile	– Conduct appropriate due diligence on all acquisitions, refurbishment and redevelopment projects.	– Acquisitions successfully completed and integrated; refurbishments and redevelopments delivered to plan.
	– Maintain strong customer demand through efficient marketing expertise.	– Brand positioning refreshed and extensive branding campaign successfully conducted across London. – Customer enquiries averaged 1,016 per month in 2017/18.
	– Ensure that a high-quality comms infrastructure is provided to customers.	– WiredScore assessments underway across the portfolio with 15 already scoring Gold or Platinum and work ongoing to achieve Gold or Platinum ratings at the rest.
	– Match scale, diversification and maturity of debt facilities to Company's funding requirements.	– Secured £200m of new private placement notes with blended maturity of nine years and fixed rate of coupon of 3.1%. – Extended maturity of bank facilities to five years and increased quantum by £100m to £250m.
	– Ensure appropriate preparation for new regulations.	– Preparation well advanced for new GDPR legislation in May 2018.
	– Ongoing review of potential higher risk areas across the business.	– Regular review by the Executive and Risk Committee of risk register and effectiveness of controls to minimise risk exposure. – External review of IT function completed and cyber security training undertaken for all staff. – Detailed external tax compliance review completed.
Comprehensive investor engagement programme	– Provide added value investor briefing and presentation sessions.	– Positive feedback from investors and analysts following the full and half year result presentations and investor tours.
	– Ensure that all identified key existing and potential investors offered 1:1 meetings at least annually.	– 100 1:1 or group meetings with European existing and potential investors and 30 1:1 or group meetings with North American existing and potential investors. 135 meetings in total.
	– Extend reach of North American investor programme.	– Three property tours conducted for North American investors. – Attendance and presentations at five property conferences in the UK and one in the US.
People engagement – Doing The Right Thing	Customers: – Improve recycling levels and energy efficiency.	– 12 recycling roadshows conducted, new recycling information pack sent to all customers and new signage at all centres. – 'Your energy' portal facility launched at three buildings enabling customers to monitor their energy consumption.
	Staff: – Encourage local community engagement and related charity opportunities.	– 121 volunteering days completed by staff, comprising 61 work days and 60 personal. – Various charity events undertaken by Workspace staff during the year raising £31,039 for local charities. – An additional £40,000 raised for charity at events held by staff and customers across our business centres.
	Suppliers: – Establish sustainability standards.	– Minimum sustainable development standards launched for all new developments and refurbishments.

LTIP award vesting in respect of 2017/18

The 2015 LTIP awards measured performance over the period 1 April 2015 to 31 March 2018. Details of the performance targets and achievement against them are set out in the table below:

Weighting	Measure	Threshold	Maximum	Payout as % maximum
1/3 of award	Growth in Net Asset Value relative to comparators	51st percentile	75th percentile	
			Actual: 94th	33.3%
1/3 of award	TSR (share price growth plus reinvested dividends) relative to comparators	51st percentile	75th percentile	
		Actual: 64th		21.4%
1/3 of award	Absolute TSR	8.0% p.a.	17.0% p.a.	
		Actual: 8.4% p.a.		7.9%
LTIP (% maximum) vesting				62.7%

	CEO	CFO
Number of shares vesting (audited)		
– Performance share award	30,866	18,862
– Matching share award	17,184	18,862
Value of shares vesting*		
– Performance share award	£300,944	£183,905
– Matching share award	£167,544	£183,905
Date vesting	26 June 2018	

* Given the vesting date share price of £9.75, which is the three-month average price to 31 March 2018.

The Committee considered performance set out in the table above together with the underlying business performance of Workspace and concluded that 62.7% of the 2015 LTIP award should vest.

These awards are subject to a one-year holding period and malus and clawback provisions. The 2016 LTIP awards are based on the same targets and weightings as the 2015 LTIP award shown above, measured over the period 1 April 2018 to 31 March 2019.

LTIP awards made during the 2017/18 financial year

Under the current Policy, awards (conditional shares) under the LTIP are granted to a maximum of 200% of salary. Awards under the 2017 LTIP are subject to the performance conditions detailed in the table below measured over the period 1 April 2017 to 31 March 2020.

	Relative TSR vs. sector group[1] (1/2 of award)	Total Property Return versus London IPD index (1/2 of award)
Threshold[2] (20% vesting)	Median	Median
Maximum[2] (100% vesting)	Upper quartile	Upper quartile

1. The comparator group for the 2017 LTIP cycle is the constituents of the FTSE 350 Real Estate Index excluding agencies.
2. There is straight-line vesting between the 'Threshold' and 'Maximum' performance levels.

A performance underpin will apply which allows the Committee to reduce vesting if performance is inconsistent with the overall performance of the business.

The following awards were granted during the year under the 2017 LTIP (audited):

			Performance Share award		
				Face value	
	Date of grant	Market price at date of award[1]	Number of shares	£	% of salary
CEO	20 July 2017	£8.9033	107,757	959,393	200%
CFO	20 July 2017	£8.9033	65,863	586,398	200%

1. The share price for calculating the levels of awards was £8.9033, see table above, the average mid-market closing price over the three dealing days 17, 18 and 19 July 2017, in accordance with the LTIP rules.

Deferred shares were granted (as conditional shares) under the 2016/17 bonus of 20,119 shares to Mr Hopkins and 12,295 shares to Mr Clemett on 26 June 2017 based on a share price of £9.1382.

Single figure for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 March 2018 and the prior year:

Non-Executive Director	Daniel Kitchen 2017/18 £000	Daniel Kitchen 2016/17 £000	Maria Moloney 2017/18 £000	Maria Moloney 2016/17 £000	Chris Girling 2017/18 £000	Chris Girling 2016/17 £000	Damon Russell 2017/18 £000	Damon Russell 2016/17 £000	Stephen Hubbard 2017/18 £000	Stephen Hubbard 2016/17 £000
Base fee	**178.5**	175.0	**48.2**	47.3	**48.2**	47.3	**48.2**	47.3	**48.2**	47.3
Additional fees	**–**	–	**10.5**	10.5	**10.5**	10.5	**–**	–	**–**	–
Total	**178.5**	175.0	**58.7**	57.8	**58.7**	57.8	**48.2**	47.3	**48.2**	47.3

1. Additional fees were paid to Maria Moloney as Chairman of the Remuneration Committee and to Chris Girling as Chairman of the Audit Committee.
2. Expenses incurred by Non-Executive Directors represent the cost to the Group, being gross of taxation. In 2017/18, Daniel Kitchen, Maria Moloney and Chris Girling were reimbursed for out of pocket expenses, incurred in attending meetings in connection with the discharge of their duties, of £2,800, £13,428 and £3,072 respectively.

Share ownership and share interests (audited)

The shareholding guideline for Executive Directors is 200% of salary. The table below 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 2018 and 5 June 2018. Both Executive Directors have exceeded the shareholding guidelines.

	31 March 2018	31 March 2017
Chairman		
Daniel Kitchen[1]	**44,700**	44,700
Executive Directors		
Jamie Hopkins	**133,082**	130,525
Graham Clemett	**142,627**	147,674
Non-Executive Directors		
Maria Moloney	**2,027**	2,027
Chris Girling	**Nil**	Nil
Damon Russell	**Nil**	Nil
Stephen Hubbard	**15,290**	15,290

1. Daniel Kitchen acquired 1,000 6% Sterling Bonds on 2 October 2012 at a price of £100 per Bond.

The table below shows the Executive Directors' interests in shares.

Executive Director	Type	Owned outright or vested[2]	Unvested and not subject to performance[3]	Subject to performance[4]	Total
Jamie Hopkins	Shares	133,082	68,169	220,777	422,028
	Market value options[1]	Nil	3,474	Nil	3,474
Graham Clemett	Shares	142,627	50,019	134,931	327,577
	Market value options[1]	Nil	1,737	Nil	1,737

1. Market value options include SAYE options outstanding not yet matured as at 31 March 2018. 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 134 for further details.
2. Total shares owned outright or vested shares.
3. The interests in shares comprise those LTIP awards granted in 2015 which are no longer subject to performance but are due to vest on 26 June 2018, of 37,724 shares for Mr Clemett and 48,050 shares for Mr Hopkins. In addition, the gross number of deferred bonus shares awarded in 2017 of 20,119 for Mr Hopkins and 12,295 for Mr Clemett are also included in this figure.
4. The interest in shares of 134,931 for Mr Clemett and the interest in shares of 220,777 for Mr Hopkins consist of the total LTIP awards made in 2016 and 2017, details of which can be found on page 134 of this Report.

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 Chairman of the Audit Committee of The Restaurant Group plc, effective 1 June 2016. Mr Clemett is paid an annual fee of £60,000. Mr Hopkins was appointed a Non-Executive Director of St. Modwen Properties PLC, effective from 1 March 2018, and is paid an annual fee of £45,921.

Relative importance of spend on pay

The chart 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 2017 and ended 31 March 2018.

Employee remuneration

Distribution to shareholders

How will we apply the Policy in 2018/19

We believe that the Policy continues to be fit for purpose going forward, and therefore the Committee is not proposing to make any changes for 2018/19.

Base salary

The Committee reviewed Executive Directors' salaries and the following salaries are effective from 1 April 2018.

CEO

CFO

The average salary increase across the Group for the year commencing 1 April 2018 is 3%.

Benefits and pension

No change.

Annual bonus

There is no change to the annual bonus maximum potential in 2018/19, and this will continue to be 120% of salary for Executive Directors.

No changes are being made to the performance measures and they will be:

Adjusted trading profit after interest (60% of salary)	+	Total Property Return (24% of salary)	+	Customer satisfaction (12% of salary)	+	Personal performance (24% of salary)

33% of the total bonus paid will be deferred into shares for three years. Dividend equivalents may be accrued on deferred shares.

Whilst we believe that disclosing the exact performance conditions and targets for the personal performance would not be in the best interests of Shareholders, we remain committed to best practice disclosure. We therefore set out below some of the categories that the Committee will consider in respect of evaluating personal performance, and examples of the nature of some of the goals under these (excluding exact targets). Full disclosure on the targets, performance achieved and resulting bonus payouts for 2018/19 will be provided in next year's report.

Personal objectives 2018/19

Objective	Target
Active property portfolio management	– Identify scale acquisition opportunities across London and look to acquire where return criteria can be met. – Continue to identify and progress opportunities for refurbishment and re development across the portfolio.
Maintain low risk business profile	– Preparation for, and compliance with, evolving regulatory requirements. – Monitor and update IT systems and processes as appropriate to optimise efficiency and security. – Ensure that the Company and its staff are aware of, and protected from existing and emerging cyber security threats.
Investor engagement programme	– Comprehensive timetable of visits, site tours and presentations to both existing and potential investors. – Delivery of high quality, added value presentations and briefings to investors and analysts.
People engagement – 'Doing the Right Thing'	– Encourage staff engagement with local communities and potential charity opportunities. – Develop and launch a values based staff engagement programme.

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 vesting (20% of maximum)	Median	Median
Maximum vesting (100% of maximum)	Upper quartile	Upper quartile

A holding period of two years will apply to any vested shares under the LTIP.

To ensure any payouts are 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.

Non-Executive Director fees
The fees for Non-Executive Directors are reviewed and agreed annually. The fees, which are effective from 1 April 2018, are set out in the table below.

	2018 fee	2017 fee	% change
Chairman	**£183,855**	£178,500	3
NED base fee	**£49,640**	£48,195	3
Chair of Audit Committee fee	**£10,500**	£10,500	0
Chair of Remuneration Committee fee	**£10,500**	£10,500	0

Additional information

Payments for loss of office (audited)
None.

Payments to past Directors (audited)
None.

Service contracts
The 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
Jamie Hopkins	Chief Executive Officer	3 February 2012	12 months	12 months
Graham Clemett	Chief Financial Officer	31 July 2007	12 months	12 months

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
Daniel Kitchen	6 June 2011 (6 June 2017)	2017	6 months
Maria Moloney	22 May 2012 (22 May 2018)	2017	3 months
Chris Girling	7 February 2013 (7 February 2016)	2017	3 months
Damon Russell	29 May 2013 (29 May 2016)	2017	3 months
Stephen Hubbard	16 July 2014 (16 July 2017)	2017	3 months

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.

Who are the Committee's advisers?
During the year, the Committee appointed PwC LLP as independent adviser to the Committee 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 since their appointment in September 2017 were £28,500. The Committee retained Deloitte LLP as its advisers for the first half of the year. Deloitte LLP, who are also founding members and signatories of the Remuneration Consultants Group, provided independent advice. The fees paid to Deloitte LLP were £46,859 for that period.

Other than in relation to advice on remuneration, neither PwC LLP nor Deloitte LLP provided any other services to the Company.

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 2016/17 Annual Report on Remuneration at the 2017 AGM on 14 July 2017. 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 (2017 AGM)	99.72	0.28	108,262,655	308,916	1,728
Annual Report on Remuneration (2017 AGM)	99.06	0.94	107,554,174	1,017,396	1,728

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 ('IA') in respect of all shares plans (10% in any rolling 10-year period) and Executive share plans (5% in any rolling 10-year period) as at 31 March 2018 is detailed on the next page.

As of 31 March 2018, around 4.4% and 3.7% shares have been, or may be, issued to settle awards made in the previous 10 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

Limit Actual

Supplementary information on Directors' remuneration
Outstanding LTIP awards
Details of current awards outstanding to the Executive Directors are detailed below.

	At 1 April 2017			Lapsed during the year		Vested during the year			At 31 March 2018		
Name	Performance[2]	Invested[3]	Matching[4]	Performance	Matching	Performance	Invested	Matching	Performance	Invested	Matching
Jamie Hopkins											
26/06/2014[1]	73,469	16,000	60,378	(8,302)	(6,823)	(65,167)	(16,000)	(53,555)	–	–	–
26/06/2015[1]	49,229	7,263	27,407	–	–	–	–	–	49,229	7,263	27,407
23/06/2016[1]	56,510	14,975	56,510	–	–	–	–	–	56,510	14,975	56,510
20/07/2017[1,5]	–	–	–	–	–	–	–	–	107,757	–	–
Graham Clemett											
26/06/2014[1]	45,918	12,168	45,918	(5,189)	(5,189)	(40,729)	(12,168)	(40,729)	–	–	–
26/06/2015[1]	30,084	7,972	30,084	–	–	–	–	–	30,084	7,972	30,084
23/06/2016[1]	34,534	9,151	34,534	–	–	–	–	–	34,534	9,151	34,534
20/07/2017[1,5]	–	–	–	–	–	–	–	–	65,863	–	–

1. Awards will vest subject to the satisfaction of performance conditions detailed on page 129 over the three-year performance period.
2. Performance Awards made to the Executive Directors: In June 2014, awards were in respect of 100% of salary based on a share price at date of award of £5.7033; in June 2015 awards were in respect of 100% of salary based on a share price at date of award of £9.1408 and in July 2017, awards were in respect of 200% of salary based on a share price at date of award of £8.9033. 88.7% of the 2014 Awards vested on 26 June 2017.
3. Participants are entitled to dividends payable on the Invested Shares. The Invested Shares, which are beneficially owned by participants, are included in the table detailing Ordinary Shares held by Directors on page 130 of this Report.
4. Matching Awards were granted to participants who purchased Invested Shares. In 2014, matching shares granted were up to 100% of salary for Mr Clemett and 82% of salary for Mr Hopkins, in 2015 matching shares granted were up to 100% of salary for Mr Clemett and 56% of salary for Mr Hopkins and in 2016, matching shares were granted up to 100% of salary for each of Messrs Clemett and Hopkins.
5. The LTIP awards granted in July 2017, were made under the new LTIP approved by Shareholders at the AGM in July 2017.

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.

							Normal exercise date	
	At 01/04/2017	Granted during the year	Lapsed during the year	Vested in year	At 31/03/2018	Exercise price	From	To
Jamie Hopkins	107[1]	–	–	–	107	–	18.09.2018	–
	–	228[1]	–	–	228	–	31.08.2017	–
	3,474	–	–	–	3,474	£5.18	01.09.2019	01.03.2020
Graham Clemett	1,960	–	–	(1,960)	–	–	–	–
	1,737	–	–	–	1,737	£5.18	01.09.2019	01.03.2020
	107[1]	–	–	–	107[1]	–	18.09.2018	–
	–	228[1]	–	–	228	–	31.08.2017	–

1. Each of Messrs Hopkins and Clemett were granted awards under the Share Incentive Plan in 2015 and 2017.

There have been no changes in Directors' interests over options in the period between the balance sheet date and 5 June 2018.

The Directors' Remuneration Report has been approved by the Board of Workspace Group PLC.

By order of the Board

Dr Maria V Moloney
Chairman of the Remuneration Committee
5 June 2018

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 2018.

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 by the Company 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 the Strategic Report on pages 3 to 71, which provides a description of the Company's business model and strategy. It also includes our report on Resources and Relationships, Principal Risks and Uncertainties and the Going Concern and Viability Statement.

The Corporate Governance Report and Chairman's Governance Report for the year ended 31 March 2018 on pages 73 to 139, are incorporated by reference into this Directors' Report.

Principal activities and business review
The Group is engaged in property investment and letting business space to London businesses. As at 31 March 2018 the Company had 10 active subsidiaries, five of which are property investment companies owning properties in Greater London. The other five companies are: Workspace Management Limited; Workspace 16 (Jersey) Limited, LI Property Services Limited, Workspace Glebe Limited and Workspace 17 (Jersey) Limited. A full list of the Company's subsidiaries and other related undertakings appears on page 177.

Significant events which occurred during the year are detailed in the Chairman's statement on page 3, the Chief Executive Officer's strategic review on pages 28 to 34 and the Business Review on page 62.

A description of the principal risks and uncertainties facing the Company can be found on pages 46 to 56. Details of the Company's health and safety policies can be found on page 136 and information on its environmental and community engagement activities can be found on pages 22 to 27.

Profit and dividends
The Group's profit after tax for the year attributable to shareholders amounted to £171.4m (2017: £88.7m).

The interim dividend of 8.84 pence (2017: 6.80 pence) was paid in February 2018 and the Board is proposing to recommend the payment of a final dividend of 18.55 pence (2017: 14.27 pence) per share to be paid on 3 August 2018 to shareholders whose names are on the Register of Members at the close of business on 6 July 2018. This makes a total dividend of 27.39 pence (2017: 21.07 pence) for the year.

Directors
There are currently seven Directors on the Board of Workspace Group PLC. Unless otherwise determined by ordinary resolution of the Company, the Directors shall not be less than two or more than 10 in number.

In accordance with the requirements of the UK Corporate Governance Code, all the Directors will offer themselves for re-election at the Annual General Meeting on 13 July 2018.

The Directors of the Company all held office throughout the year. The current Directors and their biographies can be found on pages 84 to 90. Details of Directors' remuneration are provided in the Remuneration Report on pages 113 to 134. Details of the Directors' shareholdings in the share capital of the Company and options over shares are provided on pages 130 and 134.

Directors' indemnity
Under the Company's Articles of Association, to the extent permitted by the Companies Act, the Company indemnifies any Director, Secretary or other Officer of the Company against any liability and may purchase and maintain insurance against such liability. The Board understands 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 and at the date of approval of the Directors' Report.

Directors' conflicts of interest
During the year, no Director had any beneficial interest in any contract significant to the Company's business, other than a contract of employment.

The Company has 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 Company, they are required to notify the Board in writing or verbally at the next Board Meeting.

Going Concern and the Viability Statement
The Company's Going Concern and Viability Statements can be found on page 57.

The Group's activities, strategy and performance are explained in the Strategic Report on pages 3 to 71.

Further detail on the financial performance and financial position of the Group are provided in the financial statements on pages 146 to 178.

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. These briefings also serve as an informal forum for employees to ask questions about the Company.

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 ('SAYE').

The Company 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 Company 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, where diversity is valued.

The Company remains supportive of the employment and advancement of disabled persons and ensures its promotion and recruitment practices are fair and objective.

The Company encourages the continuous development and training of its employees and the provision of equal opportunities for the training and career development of all employees.

The Group provides retirement benefits for the majority of its employees. Details of the Group pension arrangements are set out in note 26 on page 178.

Further information on Group employees can be found on pages 26, 126 and 156.

Share capital and control
As at 31 March 2018, the Company's issued share capital comprised a single class of 163,806,591 Ordinary Shares of £1.00 each. Details of the Company's issued share capital are set out on page 172.

Full details of share options and awards under the terms of the Company's share incentive plans can be found on pages 172 to 175.

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.

Substantial shareholdings in the Company
As at 31 March 2018, 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	44,770,817	27.33
Old Mutual	17,396,569	10.62
BlackRock Inc	12,480,475	7.62
Standard Life	12,459,207	7.61
Prudential Group	8,731,583	5.33

As at 24 May 2018 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	44,750,229	27.32
Quilter Plc	16,545,092	10.10
Standard Life	12,448,340	7.60
BlackRock Inc	12,327,240	7.53
Prudential Group	8,639,954	5.27

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 2017 Annual General Meeting to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2018 Annual General Meeting and a resolution will be proposed to renew this authority. No ordinary shares were purchased under this authority during the year.

Health and safety
We are committed to health and safety best practice as an integral part of our business activities and our drive for high performance.

The Group's policy is to provide and maintain safe and healthy working conditions, equipment and systems of work for all its employees, customers and anyone affected by our business and to provide such information, training and supervision as they need for this purpose.

Whilst all employees of the Group have a responsibility in relation to health and safety matters, certain staff have been designated 'workplace' responsibilities or other co-ordinating responsibilities throughout the Group, and ultimately, at Board level, the Chief Executive Officer has overall responsibility.

Financial risk management
The financial risk management objectives and policies of the Company are set out in note 17 to the financial statements and in the Corporate Governance section of this report on page 110.

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 auditors are 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 auditors are aware of that information.

Political donations
The Company and its subsidiaries made no political donations during the year (2017: Nil).

Greenhouse gas ('GHG') emissions
In line with the requirements of The Greenhouse Gas Emissions (Directors' Reports) Regulations 2013 we have continued to benchmark and report our emissions that result from our business activities. Emissions are calculated from the following sources:

Scope 1 emissions – direct emissions
- **On-site fuel combustion:**
  Gas or oil purchased for our assets. This includes tenant consumption where we procure gas on their behalf.
- **Fugitive emissions:**
  Refrigerant leaks from owned air-conditioning ('RAC') equipment.
- **Company vehicles:**
  Fuel combustion and refrigerant leakage.

Scope 2 emissions – indirect emissions
- **Purchased electricity:**
  Electricity purchased for our assets. This includes tenant consumption where we procure electricity on their behalf.
- **Purchased heat:**
  Heat purchased for our assets. This includes tenant consumption where we procure district heat on their behalf.

Carbon emissions by source (tCO_2e)
In order to satisfy the requirements, we report both absolute emissions and emissions as an intensity ratio, this is based on net lettable and occupied area.

Source of emissions	2012/13	2013/14	2014/15	2015/16	2016/17	**2017/18**	% Change
Scope 1 (direct emissions)	4,222	3,846	3,515	3,375	3,181	**3,192**	-24%
Workspace							
Gas	3,959	3,535	3,194	2,847	2,849	**2,804**	
Fugitive emissions	169	216	244	458	319	**383**	
Vehicle emissions	2	2	4	7	4	**5**	
Joint venture							
Gas	60	64	51	42	5	**0**	
Heating oil	31	28	20	20	3	**0**	
Fugitive emissions	0	2	2	2	0	**0**	
Scope 2 (indirect emissions)	10,822	11,290	12,405	12,366	10,110	**8,863**	-18%
Workspace							
Purchased electricity (location-based)	10,510	10,956	12,037	12,129	10,005	**8,762**	
Purchased electricity (market-based)	–	–	–	–	–	**1,004**	
Purchased heat	0	0	0	84	92	**100**	
Joint venture							
Purchased electricity	312	334	368	153	14	**0**	
Total	15,044	15,136	15,920	15,741	13,292	**12,055**	-20%
Net lettable area tCO_2e/m^2	0.030	0.031	0.035	0.036	0.037	**0.035**	
Occupied space area tCO_2e/m^2	0.035	0.036	0.040	0.041	0.044	**0.041**	

1. Previous data has been recalculated to account for changes and additions.
2. Emissions from vacant units have been omitted from data collection as they are considered to be immaterial.
3. Calculations based upon a 5% materiality threshold.
4. Joint venture emissions as a proportion of our equity share.
5. DEFRA Environmental Reporting Guidelines and the financial control approach applied.
6. Note that when reporting totals, the location-based emissions are used.

Performance
The 2017/18 Greenhouse Gas (GHG) emissions across the portfolio have decreased by 20% against our 2012/13 baseline and have decreased by 9% compared to the previous year. The portfolio has grown in size since 2012/13 and we have been increasing the amount of air-conditioned floor space we let, which has increased our overall portfolio carbon intensity compared to the baseline year. However, we have reduced our 2017/18 carbon intensity compared to the previous year.

The reduction in our 2017/18 GHG emissions and intensity can be attributed to a number of factors including divestment of four assets, three major refurbishment projects which had a strong focus on energy efficiency and the delivery of portfolio wide energy efficiency projects. Another contributing factor to the year-on-year reduction is a decrease in the carbon dioxide emission factor for UK electricity generation, which is attributed to a significant decrease in coal generation and an increase in gas and renewables generation.

For the first time we are also undertaking market-based reporting where we quantify the GHG emissions for our electricity consumption using the carbon dioxide emissions factor provided to us by our supplier, rather than using the UK grid average. As we have chosen to procure a significant proportion of our energy from a verifiable renewable energy contract, that ensures energy is generated by a variable mix of hydro-electric, offshore and onshore wind, we are able to report that our market-based GHG emissions are 1,004 tCO_2e which is significantly less than using the UK grid average. Where possible, we are continuing to increase the number of supplies that are included within our renewable energy contract to further reduce our GHG emissions.

Achievements
We have proactively identified and delivered a range of energy management projects across our portfolio including technology and infrastructure upgrades, improved data management and employee engagement.

One of the main initiatives was the targeted installation of the Optergy Building Management System (BMS) 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 BMS has enabled us to engage with our in-house Facility Management teams to improve energy management practices and reduce GHG emissions. Other initiatives that have been implemented include ongoing LED lighting upgrades, ongoing Automatic Meter Reading (AMR) installations, BMS and boiler optimisation, insulation improvements and refurbishment projects.

Future
To further reduce our GHG emissions, we will continue to focus on designing and implementing energy efficiency initiatives within our buildings and actively engage with both our site staff and customers to implement energy conservation measures. We have set challenging objectives and targets for the next year and will be monitoring our performance throughout the year to ensure that we achieve our goal of reducing our GHG emissions.

Disclosure required under the Listing Rules
For the purpose of LR9.8.4C R, the information required to be disclosed by LR 9.8.4R can be found in the Annual Report in the following locations:

Section	Topic	Location in the Annual Report
1	Interest capitalised	Financial Statements, page 156 note 4
4	Details of long-term incentive schemes	Remuneration Report, pages 129, 130 and 134

All the information cross-referenced above is hereby incorporated by reference into this Directors' Report.

Post Balance sheet events
Details of post Balance sheet events can be found on page 178.

2018 Annual General Meeting
The 32nd Annual General Meeting of the Company will be held at the Company's business centre at 160 Fleet Street, London EC4A 2DQ on Friday 13 July 2018 at 10.00am. The Notice of the 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.

By Order of the Board

Carmelina Carfora
Company Secretary
5 June 2018

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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

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 their 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, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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; and
- 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.

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; and
- 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 5 June 2018 by:

Jamie Hopkins
Chief Executive Officer

Graham Clemett
Chief Financial Officer