Workspace Group PLC is a specialist property-based business providing office, serviced office, studio, workshop and light industrial workspace for small businesses throughout London. Workspace Group assists new and existing small businesses by creating affordable business accommodation for rent on flexible and user-friendly terms. We own and manage more than 100 estates and business centres across London and have more than 4,000 small business customers.

Our core business is made up of our portfolio of business centres and all the small and medium-sized enterprises (SMEs) that occupy them. In addition, this portfolio has considerable potential for change of use and intensification. We aim to unlock this and create additional value by acting responsibly, and with issues of sustainability at the forefront of our thinking. Furthermore, we see enormous potential in working with our customers – together – in developing our sustainability agenda and its impacts.

About Workspace Group

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Sustainability is embedded within our business and is a consideration in everything we do. We work hard throughout the year – every year – to meet and exceed the targets we set ourselves in all areas of the business. Because our efforts are year-long, we think our reporting should be too. Of course, we will continue to produce an annual Sustainability Report as a summary and review of our year, but throughout the year you can keep up to date with our efforts, initiatives and achievements by visiting:

www.workspacegroup.co.uk/sustainability

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This 2007 Sustainability Report is all about stakeholder engagement. We want our staff, customers, suppliers and other organisations in London to be inspired to address their sustainability impacts. We are keen to connect with our readers – to stimulate action, debate, innovation and new ways of working together to achieve more sustainable outcomes in the longer term.

Last year, our Sustainability Report benchmarked Workspace Group’s contribution against The London Plan. We believe the reasons for doing so are obvious: London is our marketplace. Importantly, The London Plan was a solid foundation to demonstrate that our business model is sustainable. However, our work over the last year has helped to put the scale and magnitude of our direct sustainability impacts into context, in comparison to the indirect impacts of our key stakeholders, especially our customers.

Whilst Workspace itself must lead and take action on its direct impacts, the indirect impacts of our customers are much greater, and we need to engage and encourage others to make a difference alongside us.

We continue to provide a summary of our progress against headline sustainability measures, encompassing our entire managed portfolio. The data in the report covers our performance in the financial year 2006/07 and complements the financial performance and Operating and Financial Review in our Annual Report & Accounts 2007. And this year, it is also supplemented by more extensive, detailed reporting in the new sustainability section of our website:

www.workspacegroup.co.uk/sustainability

It is seven years since we published our first Sustainability Report, a document we titled “Our Responsible Approach to Society”. Over the years, our reporting has evolved in line with our thinking. So this time we have chosen to use our report as a means of positive engagement with you, readers of the report and our key stakeholders.

Our business model is sustainable. As London’s leading provider of business space for small businesses, we breathe life into old buildings, creating multi-tenanted business centres rooted in their local communities. Our core activities include the acquisition, design and management of commercial property, with an increasing emphasis on development to accommodate London’s growth and regeneration targets.

All of these activities provide us with significant opportunities to contribute to London’s ambitious environmental, social and economic goals, and to improve the quality of life of Londoners.

Our unique portfolio and management approach have ensured that the long-term total returns of our portfolio have traditionally outperformed those of our peers (as measured by the Investment Property Databank). In recent years the link between the sustainability profile of our properties and their outstanding financial performance has become even clearer, through a portfolio benchmarking exercise known as The Third Dimension. Figure 1, below, illustrates the strong financial and sustainability performance typically associated with Workspace Group properties compared with the 11 other property type classifications used in the Investment Property Databank.

As we have developed further our understanding of the scale, magnitude, and context of the effects of our core business, we also now understand that our business’s greatest impacts arise as a direct consequence of the actions of our customers, staff and suppliers. Looking at climate change alone, a topic that has to be at the very top of our sustainability agenda, our recent studies suggest that the key ways for us to mitigate our impact in this area include: energy efficiency (both for us and our customers); waste management on behalf of customers; and greater interaction with our customers on wider environmental issues. We therefore believe that working with our customers could make the difference between us “tinkering at the edges” of sustainability, or collectively acting with them as a driving force for change within London.

Ironically, this goes to the heart of the property industry’s greatest challenge with respect to sustainability. Property developers and owners do not control the way in which property occupiers use their buildings. Increasingly, we must work in partnership with our customers. We know from our own customer surveys that our customers would welcome our help in operating more sustainable businesses. In short, encouraging sustainability makes good business sense to us all. Through more proactive support and engagement, we feel that we can make a much bigger difference than we will ever make on our own.

Small steps go a long way when they are all added together! That is the message behind this Sustainability Report. We hope that it is engaging and will prompt dialogue and partnership solutions from all those who read it. To stimulate this, we have included a call for ideas at the end of this report. I very much look forward to hearing about some of your ideas, and to finding ways of working together towards a more sustainable future.

Harry Platt
Chief Executive

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2. Results from our customer survey can be seen in the section titled “How we influence” on pages (12/13).
Making a difference
The economy: our impacts in context

Workspace aims to create long-term wealth for its shareholders. We strive to seek new ways of adding value to our business through “unlocking the potential” of our assets, because our shareholders expect us to deliver the best possible returns. At the same time we aim to maximise our positive impacts on society and minimise our negative impacts on the environment. Rather than viewing these responsibilities as mutually exclusive, we are convinced that the case for sustainability is as simple as it is compelling: it makes good business sense. Sustainability is at the very heart of our business. Our property types, which include both business centres and light industrial centres, are more sustainable than that of typical office and industrial accommodation. Many of our buildings are old, having been brought back into use through our high refurbishment standards, with good public transport links, and often in areas that are identified as priorities for regeneration within London. So it is not a surprise to us that they perform as well against financial benchmarks as they do against sustainability benchmarks – as demonstrated through their continued outperformance against the IPD universe, and the positioning of our property types in the Upstream/PMA Third Dimension Benchmarking (see page 1, figure 1). Of course, the economic impacts of Workspace Group’s business activities are felt much wider than the direct financial returns enjoyed by our shareholders. Throughout their lifecycle, our buildings contribute to London’s economy in a number of different ways. In terms of direct impacts, Workspace properties stimulate employment through their construction, use and management, and provide accommodation to vibrant, innovative and successful small and medium-sized enterprises (London’s SMEs collectively turn over in excess of £250bn¹). But the impacts don’t stop there, extending to less “visible” impacts associated with our customers’ own supply chains and attracting new businesses into the local area.

SMEs, our customers, are a diverse group and it is therefore difficult to accurately assess their total impacts. However, we know that we have a customer base of more than 4,000 SMEs and we estimate that these employ in the region of 30,000 people. By contrast, at Workspace Group we employ around 150 staff directly, have a turnover of £61 million, and spend about £40 million on goods and services. These facts illustrate the relative scale of our own economic impacts in the context of the wider economic impacts of our customers and suppliers.

The outcomes of this analysis on our future sustainability commitments include:

• We will aim to generate above average returns ahead of the sector for our shareholders, thereby offering them an attractive investment opportunity and sustainable long-term growth.
• A key focus of our economic contribution to sustainability continues to involve helping and supporting our customers in their own business development strategies. This includes the provision of flexible leases, procuring from within our customer base (where appropriate) and encouraging sourcing between customers more widely through the use of initiatives such as TradeLink.
• We will increase our focus on integrating high sustainability standards through our refurbishment and regeneration activities as we continue to identify existing properties in the portfolio that present regeneration opportunities and intensification of uses.

1 Small Business Service, “Small and Medium-sized Enterprise Statistics for the UK and the Regions (2005)”. This calculates the total turnover of all enterprises up to 250 employees in London.
Workspace stimulates employment through the construction and management of business centres, and in providing accommodation to successful small businesses. The impacts also extend to our customers’ own supply chains and attracting new businesses into the local area.

Want to know more?

To find out more about the links between our financial and sustainability performance, including the results of The Third Dimension benchmarking, visit:
www.workspacegroup.co.uk/sustainability/ourapproach

Workspace aims to buy properties with a high public transport accessibility level (PTAL) and in areas for priority investment as identified by The London Plan. These two factors, coupled with our own refurbishment activities, can be integral to the regeneration of an area.
We have long since structured our corporate responsibility (CR) strategy according to those groups that are most influential to our business – in other words, our key stakeholders.

We continue to focus our social efforts around the principles of:

• being a good landlord
• being a good employer
• building excellent long-term relationships with our suppliers by being a responsible purchaser of goods and services
• aiming to make the communities in which we invest better places to live and do business
• aiming to operate as a good corporate citizen.

To report on how we perform in detail against each of these principles, we have recently launched a new sustainability section of our website, structured according to each of our key stakeholder groups: Investors, Customers, Employees, Suppliers, and Communities.

Our commitment to social responsibility is a “virtuous circle”. For example:

• Sourcing goods and services from our customers, thereby boosting their business success, provides us with the opportunity to use our purchasing power to encourage them to address the sustainability impacts of their own businesses. And it is likely to encourage them to pay their rent on time!

• Investing in our staff, and ensuring their continuing development, is likely to convince them that we embody our values and encourage them to be mindful of these in their personal lives outside the workplace. We would hope that what they practise in their professional lives may influence some of the choices they make in their personal lives

• Having long-term relationships and paying our suppliers on time encourages them to be more responsive to our requirements. And hopefully they’ll put extra effort into achieving the service and sustainability standards that we seek to achieve.

The existence of this virtuous circle goes further to convince us of the added benefits of engaging closely with our stakeholders, encouraging them to adopt sustainability principles of their own. We are then also able to learn more from their own experiences.

The fact that many of the people whose lives are affected by Workspace can wear several different hats at once also provides us with a unique opportunity to engage with them about sustainability from many different platforms. Indeed, it is entirely possible for one individual to be a customer, a supplier, live in a community affected by one – or several – Workspace Group properties, and even be a shareholder too.

Our aspiration remains the same – to reduce negative environmental impacts and maximise the benefits of our collective positive impacts. In fact, we have gone further than this in a number of areas, often investing in relatively deprived and low rent areas in our conviction that these offer long-term potential and opportunities for growth and regeneration. We also make significant contributions to society through our corporate community investment activities, including being a member of the Business in the Community’s PerCent Club for investing at least 1% of our pre-tax profits in charitable and community initiatives (including both in cash and in kind). This year we supported several organisations, including Richard House Children’s Hospice and Kid’s Company. We believe that all of these activities will play a part in making London a more sustainable and world-leading city in its own right.

The outcomes of this on our future social sustainability commitments include:

• To guide our customers and suppliers in social and workplace responsibilities by encouraging them to adopt the partnership principles as laid out by London Better Together
• Greater encouragement to our staff on volunteering opportunities, and a review of the corporate scheme to evaluate its effectiveness.

Want to know more?

To read more about our volunteering programme and how you can become involved with our community strategy, visit: www.workspacegroup.co.uk/sustainability/community
Workspace business centres are embedded within local communities. For example, it is entirely possible for one individual to be a customer, a supplier, live in a community affected by a Workspace property, and even be a shareholder too.
Making a difference

The environment: our impacts in context

Measuring our ecological footprint (Figure 1)

Simply put, ecological footprinting assesses the total area each individual would need to sustain their current lifestyle, and is measured in terms of earthshare using global hectares (gha). It is estimated that an individual’s average earthshare is 1.75gha.

Our analysis was difficult since it depends so heavily on data and activities of our customers. As a landlord, this information is not always available to us. As a result, we have made some assumptions based on what we do know, to make this exercise as accurate as possible. We estimate that at our Leathermarket site, each person operating from that site accounts for 1.57gha, compared with a global average of 1.75gha. Thus, however, only accounts for an individual’s activities in relation to their place of work and does not take into account of travel or activities outside of work.

We have always considered the protection of the natural environment as a core part of our efforts to be a more sustainable company. It is not just a key part of our responsibility in this area, it also presents opportunities for us to reduce costs and be more efficient. And as if that wasn’t enough, we also have reasons to believe that strong environmental performance is also likely to underpin our future competitiveness.

In the section called “What we do” (pages 10/11), we report in detail on our approach and performance in managing the environmental impacts associated with our own direct activities – including the management of our head office, and our property management and refurbishment activities. In these activities property management poses the greatest challenge, given that there is only so much we can do in terms of refurbishing and improving older buildings. We know that the buildings in our portfolio give rise to significant impacts, but in practice there is very little we can do ourselves to reduce these because they are driven by the behaviour of our customers (the users of the buildings). It is a real challenge for all commercial landlords.

In 2006, we commissioned a study of two of our buildings using a tried and tested model of ecological footprinting, developed by Best Foot Forward. We selected two different properties to represent what might be described as “typical” Workspace properties – one light industrial and one business centre. On the basis of the information readily available, we calculated their ecological footprint (see Figure 1).

The results speak for themselves: only 16% of the total ecological footprint of our Leathermarket complex (a mix of office and studio space in three separate buildings) is directly attributable to Workspace Group.

The footprinting work demonstrates that to maximise the reduction in our total footprint, we must work in partnership with our customers. We have a clear responsibility to help them to reduce their negative impacts and, in so doing, help us to reduce ours. We recognise that as well as being good for our business, this is also good for our brand. In parallel, our latest customer survey found that 73% of respondents indicated that their landlord could help their business become more environmentally friendly. All these messages combine to provide us with a much clearer role in the future: one of leadership and engagement, aimed at releasing the collective potential for positive change and working together towards a more sustainable London.

The key findings to incorporate into our future environmental strategy are:

- To further improve environmental data collection systems to ensure greater availability of useful information and more meaningful measurement and target-setting
- To make every effort we can to further reduce the environmental impacts arising from our own direct activities in properties that we manage – especially around energy and water management
- To tackle customer waste and utilities consumption – the two most significant impacts in our buildings – by working with our customers to address these
- To engage more proactively with our customers to find ways of helping them to reduce their environmental footprint – both through creative partnerships and through new services which we may be able to provide.

\footnote{Best Foot Forward is a consultancy specialising in ecological and carbon footprinting using a series of calculation methodologies that translate environmental impact into global hectares (gha). The hectares represent the area of the Earth’s surface required to support a particular activity or environmental impact, and they provide a common reference for comparison.}

Want to know more?
To read Best Foot Forward’s full report on our ecological footprint and to discover how you can calculate your own footprint, visit: www.workspacegroup.co.uk/sustainability/environment
Our properties are multi-tenanted business centres. This means our direct impacts are exceeded by the indirect impacts of the buildings’ users — our customers. Whilst this presents a challenge, we believe it also presents an opportunity to achieve the greatest reductions through engagement with our customers.
Making a difference
Focus on climate change

Workspace Group carbon management route map (Figure 1)

<table>
<thead>
<tr>
<th>1 Communications</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
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<tr>
<td>Develop policy framework</td>
<td>Staff awareness raising/customer awareness raising</td>
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<tr>
<td>Develop intranet pages</td>
<td>Building energy labelling</td>
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<tr>
<td>Create sustainability flyer</td>
<td>Articles in staff magazine to keep profile up</td>
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<tr>
<td>Develop training materials</td>
<td>Environmental campaigns – one per quarter, each year (Green Transport Week, Car Free Day, National Tree Week, One Bin Day)</td>
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<tr>
<th>2 Metering, monitoring and targeting</th>
<th>Audit of existing metering</th>
<th>Central Database</th>
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<tbody>
<tr>
<td>Cost/benefits of improved metering</td>
<td>Baseline figures &amp; set targets</td>
<td>Review &amp; improve performance</td>
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<tr>
<td>Implement improved metering where appropriate</td>
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<tr>
<th>3 Environmental improvement activities</th>
<th>Bespoke measures identified</th>
<th>Choose sites &amp; implement bespoke measures</th>
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<tbody>
<tr>
<td>Draft sustainable maintenance guidance</td>
<td>Sites’ energy efficiency measures, set targets</td>
<td>&amp; strive for continued improvement</td>
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<tr>
<td></td>
<td>Develop carbon footprinting tool for staff</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Assess need for environmental manager</td>
<td>Energy efficiency site audits</td>
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<th>Renewable energy S.W.O.T.</th>
<th>On-site microgeneration surveys</th>
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<td>During implementation</td>
<td>(Best sites selected, economic options considered)</td>
<td>Implement on-site generation</td>
</tr>
<tr>
<td></td>
<td>(Move forward to implement on best sites)</td>
<td>Audit on-site generation</td>
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<th>5 Procurement</th>
<th>Renewable Energy Billing Green Energy Tariff</th>
<th>Fully incorporate sustainability in building refurbishment</th>
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<tr>
<td></td>
<td>Review whole procurement procedure for sustainability</td>
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Source: AEA Energy & Environment.

Climate change is arguably one of the most urgent issues that business must address today, and hence stakeholders are developing a keen interest in companies’ responses to this risk and the opportunities it presents.

Source: Climate change: UK corporate reporting. ACCA, 2007.

Climate change is not a new issue for Workspace Group. We have been reporting on our carbon emissions and energy use for many years, as well as responding to the annual Carbon Disclosure Project questionnaire. We recognise how critical the issue of climate change is to our business and how important it is for us to reduce its associated risks, such as flooding or weathering.

So in 2006, we approached the Carbon Trust to support us in developing a long-term carbon management plan. As a first step, a multi-site energy audit of some of our properties was carried out, resulting in a better understanding of the different energy arrangements across our buildings. This situation arises because in purchasing an old building we sometimes inherit its problems too – outdated, unsuitable metering arrangements are one such challenge. Figure 1 provides a guide to the relative scale of carbon dioxide emissions across our portfolio.

The multi-site energy audits recommended that we pilot smart metering across our portfolio. We hope that the benefits of these new meters will enable Centre Managers to manage energy use more accurately.

Further work undertaken in conjunction with the Carbon Trust during 2006 drew from the findings of the energy audits, and various other initiatives, and laid the foundations of a carbon management plan for our business (See figure 2).

The key findings to incorporate into our future carbon management plan are:

- To progress our smart metering pilots at several buildings
- To establish a climate change policy framework for future activities
- To determine how we will proceed with energy metering work
- To prepare and implement a staff awareness and training programme
- To engage with our customers, with a view to raising awareness and preparing a tailored training programme

Carbon emissions associated with Workspace in 2006 (Figure 2)

Estimated energy consumption across the portfolio:
- **27,000 t CO₂**
- **15,400 t CO₂**

All energy purchased by Workspace Group:
- **81,000,000 kWh**

Total energy consumption across the portfolio includes all energy that is purchased by either Workspace Group or by customers directly. It is estimated – by AEA Energy & Environment – that this is equal to 81,000,000 kWh.

All figures have been converted into t CO₂ using standard DEFRA conversion guidelines.

Case Study: Knowledge Transfer Partnership with Kingston University

Because of the degree to which metering varies across the portfolio, Workspace Group has entered into a Knowledge Transfer Partnership (KTP) with Kingston University. Under the terms of the KTP a recent graduate will work for the next two years to implement metering improvements and energy management activities. During this time he will be supported by experts at the University. The project objectives include:

- Reducing carbon emissions from the portfolio of 106 properties
- Developing sustainable refurbishment standards
- Effecting a culture change across the organisation to give appropriate regard to each member of staff’s environmental impacts.

Other outputs include the development and delivery of energy and environmental awareness training, intended to be piloted at our head office (Magenta House) in the first instance.

Want to know more?

To read more about our approach and commitments to reducing climate change and to find ways of taking action to manage your own carbon emissions, visit:

www.workspacegroup.co.uk/sustainability/climatechange
Energy use is a major challenge for Workspace. We cannot directly control the energy use of our customers and because many of our buildings are old, we often inherit outdated metering arrangements.

At Canalot Studios, W10, Workspace customers are responsible for their own energy contracts and supply. Here, Workspace is only responsible for communal areas.

At Southbank House, SE1, Workspace supplies customers with energy. Customers are then billed for energy via a service charge on a flat rate per sq ft basis.

At The Chocolate Factory, N22, Workspace supplies customers with energy. The supply of this energy is sub-metered, enabling customers to be billed directly according to their consumption.

At Canalot Studios, W10, Workspace customers are responsible for their own energy contracts and supply. Here, Workspace is only responsible for communal areas.
Financial returns
Net asset value (pounds per share)

Our net asset value (pounds per share) has steadily continued to rise over the past few years, although during 2006/07 this value has also been affected by our conversion to a REIT.

Owners and investors

Customers
Customer care and overall satisfaction
Number of man-hours of training on customer care completed by Workspace Group staff (hours)

We continue to place enormous emphasis on the quality of service that our customers can expect from us. We have maintained our strong performance in answering 99% of our customer calls within 12 seconds and have increased our ratio of enquiries to new letting deals from 11% to nearly 15% in the past year.

We also continue to provide extensive customer care training to our staff.

Health and safety
Total number of notifiable RIDDOR health and safety accidents in on-site accident books at business centres

This past year saw a marginal increase in the number of notifiable accidents reported across our portfolio compared with the previous year. These included somebody trapping their hand in a fire door and a caretaker falling off a ladder while fixing a light fitting.

Employees

Equality and diversity

- Proportion of female employees in managerial grades
- Proportion of employees from ethnic minorities in managerial grades

Whilst the overall number of women in managerial grades has marginally decreased over the past year, the number of employees from ethnic minorities in managerial grades has remained the same.

Training and development
Average spend per employee on training and development

We continue to spend 1% of our pre-tax profits on community investment and charitable activities, in line with our commitments as members of the PerCent Club. This includes both cash and in kind donations, as well as time spent by staff on volunteering programmes. By way of example this year, we supported several organisations, including the Kid’s Company and Richard House Children’s Hospice.

Communities

Environment
Climate change from direct energy use
Carbon dioxide emissions associated with our head office (Magenta House) energy use (kg)

This year, the carbon emissions generated through energy use at Magenta House increased by just over 20,000 kg. While this is clearly a trend we do not want to continue, it is worth bearing in mind the increasing number of staff located here during the year, accompanied by more IT machinery and equipment, all of which contributed to increased energy consumption.

Water use
Water consumption at Magenta House (cubic metres)
In 2006/07, we set ourselves **27 sustainability targets** at Workspace Group. The pie chart below summarises the extent to which these were achieved, as confirmed by the audit performed by our strategic sustainability advisors, Upstream. During the year, more than 60% of targets were achieved completely and 15% were 75% completed.

Want to know more?

Upstream’s review of progress against targets can be seen in full by visiting:

[www.workspacegroup.co.uk/sustainability](http://www.workspacegroup.co.uk/sustainability)
JUST OVER 80% OF RESPONDENTS CLAIMED THAT THE ENVIRONMENT WAS A HIGH MANAGEMENT PRIORITY.

THE PRINCIPAL BARRIERS DISCOURAGING OUR CUSTOMERS FROM TAKING MORE ACTION ON SUSTAINABILITY WITHIN THEIR BUSINESSES WERE COST AND INFRASTRUCTURE RELATED.

63% OF RESPONDENTS FELT THAT ENVIRONMENTAL MANAGEMENT MIGHT INCREASE COSTS.

IN TERMS OF IMPROVEMENTS,

73% OF RESPONDENTS INDICATED THAT THEIR LANDLORDS COULD HELP THEIR BUSINESSES BECOME MORE ENVIRONMENTALLY FRIENDLY, AND A SIMILAR NUMBER RECOGNISED THAT BUSINESSES SHOULD NOT ACT ALONE, AND IDENTIFIED TRADE ASSOCIATIONS AND BUSINESS NETWORKS AS A KEY TO GREATER EFFECTIVENESS.

CUSTOMER SURVEY: Turning over a new leaf
KINGSTON UNIVERSITY, MARCH 2007
How we influence our indirect impacts

Of course, it continues to be paramount for us to provide customers with the highest standards in terms of the quality of the services we provide. Our latest customer satisfaction surveys found that:

- 87% agree that, overall, Workspace offers a competitive package
- 94% agree that Workspace staff are “committed, reliable and honest”
- 91% are satisfied with Workspace Group as a landlord.

But in terms of sustainability, we are conscious that the impacts of small and medium-sized companies can be very significant. Recent research undertaken by Kingston University suggests that SMEs in the UK collectively contribute as much as 60% of industry’s carbon dioxide emissions, 60% of commercial waste, and 8 out of 10 pollution accidents.

In December 2006, 2,500 of Workspace Group’s customers were sent a questionnaire exploring the barriers and drivers to adopting green business practices. With a response rate of just under 10%, the findings of the survey provided a fascinating insight into the green aspirations of our customer base.

In summary:

- Just over 80% of respondents claimed that the environment was a high management priority
- The principal barriers discouraging our customers from taking more action on sustainability within their businesses were cost and infrastructure related. 63% of respondents felt that environmental management might increase costs
- In terms of improvements, 73% of respondents indicated that their landlord could help their businesses become more environmentally friendly, and a similar number recognised that businesses should not act alone, and identified trade associations and business networks as a key to greater effectiveness.

It is clear, therefore, that small business, as well as big business, is aware of its environmental and social responsibility and that our customers would welcome help and support to overcome some of the barriers which prevent them from doing more. It is also clear to us at Workspace Group that we must demonstrate leadership in relation to our customers. We should provide them with the necessary infrastructure to make improvements to their business practices where possible, and maximise opportunities to improve effectiveness of these initiatives through strength in numbers. These findings are an integral part of our justification for deepening our programme of sustainability engagement with our customers, as demonstrated by our 2007/08 targets listed on pages 16 and 17.

Want to know more?

Working with our customers in areas of sustainability is an ongoing commitment. As such, we intend to report on this as and when things happen, not just once a year. To read more about our current activities with our customers, visit: www.workspacegroup.co.uk/sustainability/customers

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Our Customers

Over the year we have carried out the following pieces of research:

<table>
<thead>
<tr>
<th>Research Title</th>
<th>Date</th>
<th>Number of returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Communications Survey</td>
<td>October 2006</td>
<td>396</td>
</tr>
<tr>
<td>Small Businesses &amp; the Environment</td>
<td>December 2006</td>
<td>220</td>
</tr>
<tr>
<td>Customer Satisfaction Survey</td>
<td>March 2007</td>
<td>551</td>
</tr>
<tr>
<td>Quarterly Survey of Leaving Customers</td>
<td>Quarterly</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>1,467</strong></td>
</tr>
</tbody>
</table>

Of course, it continues to be paramount for us to provide customers with the highest standards in terms of the quality of the services we provide. Our latest customer satisfaction surveys found that:

- 87% agree that, overall, Workspace offers a competitive package
- 94% agree that Workspace staff are “committed, reliable and honest”
- 91% are satisfied with Workspace Group as a landlord.

But in terms of sustainability, we are conscious that the impacts of small and medium-sized companies can be very significant. Recent research undertaken by Kingston University suggests that SMEs in the UK collectively contribute as much as 60% of industry’s carbon dioxide emissions, 60% of commercial waste, and 8 out of 10 pollution accidents.

In December 2006, 2,500 of Workspace Group’s customers were sent a questionnaire exploring the barriers and drivers to adopting green business practices. With a response rate of just under 10%, the findings of the survey provided a fascinating insight into the green aspirations of our customer base.

In summary:

- Just over 80% of respondents claimed that the environment was a high management priority
- The principal barriers discouraging our customers from taking more action on sustainability within their businesses were cost and infrastructure related. 63% of respondents felt that environmental management might increase costs
- In terms of improvements, 73% of respondents indicated that their landlord could help their businesses become more environmentally friendly, and a similar number recognised that businesses should not act alone, and identified trade associations and business networks as a key to greater effectiveness.

It is clear, therefore, that small business, as well as big business, is aware of its environmental and social responsibility and that our customers would welcome help and support to overcome some of the barriers which prevent them from doing more. It is also clear to us at Workspace Group that we must demonstrate leadership in relation to our customers. We should provide them with the necessary infrastructure to make improvements to their business practices where possible, and maximise opportunities to improve effectiveness of these initiatives through strength in numbers. These findings are an integral part of our justification for deepening our programme of sustainability engagement with our customers, as demonstrated by our 2007/08 targets listed on pages 16 and 17.

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2 Date refers to the time the research was carried out.
Our Employees

Workspace Group has been accredited under Investors in People (IIP) since 1998, with the latest accreditation achieved in 2007. We don’t view this simply as an award-winning exercise; the survey that underpinned the IIP accreditation is important in identifying staff concerns and positive endorsements. In summary:

- We continue to have very high response rates to this survey, and the headline findings confirm that staff consider Workspace to be a good place to work, with a clear purpose and vision and a very strong set of values. The corporate culture is viewed as a constructive one.
- One of the areas that emerges for further improvement relates to the way in which teams and departments work together, especially the need for a common understanding of some of the challenges facing Workspace Group’s staff, and the provision of constructive feedback to individuals on a more regular basis.

During 2006, Workspace also participated in the Times 100 Best Companies to Work For Survey. We didn’t make it into the top 100 companies, but we did either marginally exceed or come very close to the benchmark performance for All Small Companies across the eight factors considered key to creating a great workplace. The findings confirmed that staff recognise the company’s efforts to give something back to society and that it makes a positive difference to the world they live in, although environmental protection emerged as a key area where staff thought we could do more. Most respondents appeared to feel confident of the corporate values and excited about where the organisation is going.

More recently, a series of in-depth interviews with a number of Workspace employees was conducted by an independent professional as part of an MSc in Organisational Behaviour. The research provided useful insights into people’s perceptions of Workspace’s efforts to be a responsible corporate citizen and to their perceptions of what we should be doing to improve further. The overriding message from these individuals was that they feel Workspace genuinely cares for staff, customers and the environment.

Perception of the company’s positioning in relation to its competitors is also quite high.

How we influence our indirect impacts
Our Suppliers

Last year, Workspace Group spent a total of £45.8m on a wide range of goods and services. We recognise that potentially significant environmental and social impacts arise from our supply chain activities. Over the last two years we have been working on a programme to develop a centralised, approved supplier database, including a new performance evaluation and scoring methodology. Following on from this, we are now keen to engage more proactively with prioritised suppliers and encourage them to adopt sustainability standards in line with our own. In other words, we review whether or not a particular supplier has a high-level environmental policy statement as an indicator of its commitment. The next stage is to undertake a review of the quality of commitments encapsulated in such statements.

We have already made substantial progress on the procurement of environmentally preferable products, having engaged during the past year with our larger suppliers of printing, cleaning, stationery and carpets. We will also continue to increase the proportion of recycled content in various products purchased at head office, a course of action which won us the Mayor’s Green Procurement Code Award during 2006. Furthermore, our continued efforts to improve the TradeLink website through which we and our customers are able to identify potential suppliers from within the customer base assist in this regard.

Going beyond this, our Chief Executive was personally involved in the development of the London Better Together principles, which set out a series of basic, intermediate and advanced actions that can be adopted by small and medium-sized businesses to improve their own corporate responsibility practices. Launched in October 2006, we have now distributed these principles to a significant number of our approved suppliers, as well as to our customers, encouraging them to commit to the level of action appropriate to them.

Whilst we have already integrated environmental good practice clauses into major construction contracts, we are conscious of the need to do more around the selection of building materials and refurbishment practices. Given the likely growth of our development activities, this includes the review of such standards following completion. We also wish to develop more targeted environmental and social standards aimed at other types of suppliers whom we frequently use, and we will aim to begin this process in the coming year.

This year we are committed to developing a responsible procurement policy, which will also enable us to prioritise the general standards that we expect our suppliers to adhere to. In due course, we will need to enter into further dialogue with our key suppliers to ensure that they are able to meet such standards. We are, of course, also keen to hear back from them if they are already meeting or exceeding these standards, and we hope that in some instances we might learn more from them as to the most sustainable attributes of their own products/services.

Ultimately, our combined environmental and social performance will depend upon mutually shared learning outcomes. A commitment to innovation and excellence should, over time, drive new ways of working and more sustainable standards.

Want to know more?

To read more about our progress with suppliers and more details on the Mayor’s Green Procurement Code by visiting:
www.workspacegroup.co.uk/sustainability/suppliers

These surveys suggest that our staff themselves have a strong sense of our professional values and that they appreciate the efforts we are making as a company. They highlight areas where we might improve further, such as environmental management and staff communication and engagement, all of which have been considered in determining the focus for our future efforts, and in particular the targets for the year ahead.

Going forwards, one of our key ambitions is to involve a greater cross-section of staff in our sustainability efforts and to ensure that their contributions are linked to performance appraisals and remuneration decisions. We would also like to engage with employees on a more personal level, seeking to extend the sustainable practices which they learn in the workplace into their homes and families through a heightened sense of awareness and responsibility.
# Big opportunities
## Targets 2007/08

<table>
<thead>
<tr>
<th>Community</th>
<th>Investors &amp; marketplace</th>
<th>Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain our PerCent club status</td>
<td>To continue to increase shareholder value as measured by net asset value per share</td>
<td>To conduct Landlord Energy Statement audit/data collection exercise on 20% of properties in our portfolio (as it was on 01/04/07)</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td></td>
<td>To conduct environmental audits on at least 25 buildings within the portfolio to identify technical improvement areas</td>
</tr>
<tr>
<td>To maintain the proportion of customers reporting overall satisfaction with the Workspace Group service at or above 90%</td>
<td>To co-ordinate a campaign, in partnership with national and regional environmental agencies, to encourage behavioural change among our customers around energy and water use, and waste production</td>
<td>To develop a carbon management policy framework encompassing the procurement of energy and equipment, sub-metering policy, and customer energy use</td>
</tr>
<tr>
<td>Organise and run “Environment Day” exhibitions at at least five centres to heighten customer awareness of sustainable business practice, and enlist supplier participation to promote their sustainable products/services</td>
<td></td>
<td>Transfer the previous energy monitoring system to a new database to facilitate the collection of necessary additional information (eg meter numbers) and the implementation of a more accurate monitoring and targeting programme</td>
</tr>
<tr>
<td>Introduce imaginative means of communicating the energy, waste and water performance of five pilot centres to customers in those centres as a means of encouraging and incentivising more efficient practices</td>
<td>Increase recycling rates across the portfolio from 20% to 25%</td>
<td>To reduce the carbon emissions associated with energy use in common parts of customer occupied buildings by 3% (from 2006/07 baseline on like for like buildings only)</td>
</tr>
</tbody>
</table>
Health and safety

- To have zero reportable RIDDOR incidents across the managed portfolio
- To upgrade the H&S E-database by streamlining the current two-tiered form system into a single, simplified system
- To implement external H&S audits on a minimum of five randomly selected sites

Employees

- Encourage at least 10% of employees to take part in the volunteering scheme
- Reduce energy and water use at our head office (Magenta House) by 1% each (compared with a baseline of 2006/07)
- To achieve a return rate of 60% for the 2008 Staff Survey
- Review and update the company car policy to encourage environmentally preferable vehicles
- To increase by 10% the amount of staff with CSR/sustainability targets in 2007/08 than in 2006/07
- To establish a baseline measure of employee satisfaction with effective interdepartmental communications
- To achieve re-accreditation under IIP in May 2007 (Achieved)
- Roll out the Ride 2 Work scheme throughout the company
- Integrate an introduction to sustainability within the company induction programme

Suppliers

- Develop an environmental best practice guide for the selection of building materials and refurbishment practices
- To increase our procurement of stationery with some recycled content to 35% across our centres and at HQ
- To develop and launch a group-wide responsible procurement policy, incorporating sustainability standards relevant to our suppliers
Last year we set ourselves a list of aspirational targets that we will work towards and review in 2012. These targets are not intended to govern day to day business operations, but will evolve and develop as time goes on. One year on, this is a summary of our progress so far.
<table>
<thead>
<tr>
<th>London Plan Objective 1: To accommodate London’s growth within its boundaries without encroaching on open spaces</th>
<th>Progress to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>To intensify density at Workspace Group’s own properties (as measured by net lettable space created by converting previously disused space and/or creating new extended space).</td>
<td>During the year, Workspace has completed refurbishment projects at Enterprise House, Clerkenwell Workshops and The Light Box (111 Power Road) and has further works in progress at Kennington Park and Lombard House. (See Refurbishment section of website for more details.)</td>
</tr>
<tr>
<td>To diversify the use of Workspace Group sites to include more residential and retail uses, thereby turning London into a more compact city.</td>
<td>Workspace continues to make significant progress in this area through its joint venture partnership with Glebe. Further advanced are schemes at Wandsworth Business Village, Grand Union Centre and Bow Enterprise Park, which are all in the consultation and planning phase.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>London Plan Objective 2: To make London a better city for people to live in</th>
<th>Progress to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>To maintain the proportion of Workspace Group customers reporting overall satisfaction with the service at over 90%.</td>
<td>The most recent customer satisfaction survey – carried out in March 2007 – reported that 91% of customers are satisfied with Workspace Group as a landlord. (For more on the customer survey, see page 13.)</td>
</tr>
<tr>
<td>To increase take-up of Workspace Group staff volunteering to 25% of employees.</td>
<td>The involvement of staff in community projects remains high and over the course of the year we have developed a Community Strategy, encompassing volunteering. This strategy will help us accurately monitor employee involvement in volunteering in future years.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>London Plan Objective 3: To make London a more prosperous city with strong and diverse economic growth</th>
<th>Progress to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>To increase the proportion of customers in dynamic sectors of growth and innovation, including creative and green industries, as a proportion of the portfolio.</td>
<td>Workspace business centres, its business model and its core product continue to be popular amongst London’s dynamic growth sectors. About 35% of respondents to the recent customer survey can be categorised as creative industries. (See page 13.)</td>
</tr>
<tr>
<td>For 25% of Workspace Group suppliers to be Workspace Group customers.</td>
<td>workspace continues to work hard in ensuring the quality of its suppliers and the competitiveness of the terms of procurement. As such, we remain committed to purchasing from customers only when these conditions are satisfied.</td>
</tr>
<tr>
<td>To increase the proportion of Workspace Group’s customers registered on TradeLink to over 50%.</td>
<td>In the 12 months to 31 March 2007, TradeLink registrations have increased from 732 to 893. New developments – including a new homepage – give cause for optimism for further increases during the coming year.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>London Plan Objective 4: To promote social inclusion and tackle deprivation and discrimination</th>
<th>Progress to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>To acquire and redevelop properties located in Areas of Deprivation as identified in the London Plan.</td>
<td>Of the acquisitions made in the year, four properties are in the 20% most deprived areas as identified by the LDA. These are: Fairways Business Centre, Leyton Studios and Leyton Industrial Village in Waltham Forest and Seven Sisters in Haringey.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>London Plan Objective 5: To improve London’s accessibility</th>
<th>Progress to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>To ensure that over 50% of the Workspace Group portfolio is located in areas with high PTAL values.</td>
<td>Last year, 59 of the 93 business centres for which PTAL ratings were available scored a rating of 3 (moderate) or better. Of our acquisitions during the year, six are currently rated as 3 or better.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>London Plan Objective 6: To make London a more attractive, well-designed and green city</th>
<th>Progress to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>To reduce the carbon emissions associated with energy use in common parts of tenant-occupied buildings by 3% per annum by 10% from 2006/07 baseline.</td>
<td>Monitoring and managing energy use across the portfolio is currently a real challenge (see pages 10/11), and accurately measuring energy use of common parts is not always possible. Our recent Carbon Management Framework – which includes metering and billing sub-policies – will help us address this and establish a clearer picture as we move forward.</td>
</tr>
<tr>
<td>To increase the proportion of tenant waste recycled (as a proportion of waste produced) by 5% per annum.</td>
<td>The success of recycling initiatives across the Workspace portfolio continues. Our partnership with Loop has seen recycling rates rise from 16% to 19.5% of all waste produced across the portfolio this year.</td>
</tr>
<tr>
<td>To increase our usability of recycled building products within our refurbishments and developments.</td>
<td>At Lombard House and Enterprise House, all new carpets were made from 85% recycled materials. We continue to increase the use of recycled products in refurbishment works and are developing guidelines for specific materials – eg timber, crushed aggregates, floor coverings, etc.</td>
</tr>
</tbody>
</table>
Summary from Chief Executive

Our 2006 Sustainability Report benchmarked our sustainability efforts to the objectives of the London Plan. This 2007 Sustainability Report tells the story of how our own sustainability impacts compare with those of our customers, staff and suppliers. Both of these are key to understanding the context for Workspace’s evolving commitment to sustainability.

We believe our business model has principles of long-term sustainable growth at its core. We recognise that whatever we do, we will continue to impact on the environment, society and the economy. For years now we have been working on reducing any adverse impacts and maximising any positive benefits associated with our own direct business activities. This continues to be a critically important focus of our sustainability strategy.

But more recently, our research has confirmed that:

- Our direct contribution to the environmental footprint of our buildings is less than 20% of the total footprint, the remainder being largely attributable to customer behaviours
- Our direct contribution to the overall carbon footprint of our portfolio is less than 10% that of the total footprint, the remainder being largely attributable to customer activities
- Our customers are increasingly environmentally aware, and are looking for guidance and infrastructure from their landlord to help them improve further in this area
- Our staff are aware of the company’s strong social and environmental commitment, and are keen to implement this further through their own contributions (eg in our recent customer survey, 94% agreed that Workspace staff are “committed, reliable and honest”)
- Our suppliers are often quite small companies, and not necessarily equipped with the sustainability policies and management systems that we have in place, so we need to help and encourage them to meet our standards as far as possible.

Our strategy going forwards is, therefore, to engage as fully as possible with our customers, staff and suppliers to address their own sustainability impacts. We remain as committed as ever to doing the same ourselves, and to overcoming the significant challenges that we face in doing so, including:

- Upgrading our existing energy metering arrangements across the portfolio, and developing more sophisticated systems for measuring, monitoring and targeting energy consumption
- Integrating more formal sustainability requirements into our design and refurbishment programmes
- Continuing to source more sustainable products and materials for use across our business, and engaging with suppliers to improve their own sustainability performance.

This report shows that we continue to be committed to sustainability and to communicating our approach so that opportunities to work with key stakeholders can be identified. It is for this reason that we have chosen not to follow some of the traditional sustainability reporting standards (eg GRI) or sought external verification. We are keen for this report to be an open, accessible and easily-read report that will encourage further engagement with our readers, customers, suppliers and the investors we work with.

On that note, we would urge you to come forward with ideas of what we could be doing better, or differently, together. Please do take the time to write to us and let us know what you think.

Harry Platt
Chief Executive
June 2007

What do you think?

If you have feedback on the contents of this report, and in particular, if you have ideas about what Workspace Group might do to further promote sustainability within London, please contact us at: sustainability@workspacegroup.co.uk or call 020 7247 7614

The story of our year

In 2006 our focus was our marketplace and the environment in which we operate. This is why we used The London Plan as a key reference in benchmarking our sustainable business model. This year, in light of increased awareness, our focus has been climate change. To better understand our impacts in this area, we calculated the ecological footprint of two “typical” property types. It revealed that the indirect impacts of our customers are about 5.5 times greater than our own direct impacts.

The greatest opportunities and potential, then, lie in working with our customers. So, in order to find out more about small businesses and the environment, we conducted a survey of our customers in partnership with Kingston University. The aim was to understand more about their attitudes and behaviour.
Advisors’ statement

Upstream has worked as Workspace Group’s strategic sustainability advisor since 2001 and, as in previous years, has carried out a formal review of progress against 2006/07 targets in order to establish the extent of completion. Workspace Group did consider carrying out a formal independent verification this year, but concluded that it would not necessarily constitute a value-adding exercise. As such, it is worth highlighting that this review does not represent a formal independent verification statement.

Upstream performed its review on the following basis:
- In-depth, one-to-one meetings with Workspace Group individuals responsible for delivery of CR targets
- A detailed review of documentation provided and data/information submitted as evidence of action against each of the 2006/07 targets.

Workspace Group has continued to demonstrate its significant commitment to sustainability this year. In 2006/07 the company set itself a total of 27 targets. Of these, 17 (63%) were fully achieved, and 4 (15%) were 75% completed. Two targets were 50% completed, two targets were 25% completed, and just two targets were not achieved at all.

From its review of findings, Upstream would make the following comments:
- The company continued to strengthen its sustainability awareness-raising initiatives among customers and staff, including carrying out a series of recycling roadshows (in collaboration with Loop) at a further 12 properties during the year, holding a “One Bin Day” and several other recycling initiatives at head office. Sensor-based light fittings were also installed in the bathrooms at Magenta House to minimise energy usage.
- The community strategy progressed further this year, with improved internal and external communications regarding the strategy’s various aspects. Also, 6% of staff took part in the Employee Volunteering Scheme this year, thereby exceeding the target in this area.
- Workspace Group won the Mayor’s Green Procurement Code Award during 2006 – a significant achievement demonstrating the company’s contribution to the development of sustainable procurement practice within London.
- The company has also carried out a significant amount of work with the Carbon Trust during the year, to identify key areas where carbon reductions can be made, and a carbon management action plan was developed to achieve these.
- Workspace Group also won a Bronze award under the Business in the Community CR Index, including Bronze in both Environment and Community indices separately.

In this Sustainability Report, Workspace Group has adopted a transparent approach to reporting on its range of responsibilities and exploring the differing levels of influence it has in managing its impacts as a property company. In line with this, the company has made further challenging sustainability commitments for the year ahead. These include developing a Group-wide responsible procurement policy, further strengthening its carbon management activities as well as an ambitious programme of stakeholder engagement and sustainability awareness-raising work.

However, as sustainability becomes increasingly embedded and integrated into the company’s core business model, Upstream is confident that Workspace Group will meet these challenges, and looks forward to continuing to work with the company in the future.

Julie Hirigoyen  
Emma Irwin  
Upstream  
June 2007
Further reading:

Key investor publications:
1. Annual Report and Accounts 2007
2. Sustainability Report 2007

Customer publications:
1. The Beginners' Guide to finding the right business space
2. The Store

Stakeholder publications:
1. My Life, My Work, My Space
2. Changing Environments
3. Dynamic Environments
4. Changing spaces

Promotional publications:
1-3. Property marketing brochures

Those who helped us become more sustainable
Over the last year, the following 10 organisations have helped us to become more sustainable.

**AEA Energy & Environment**
worked with us on the development of a carbon management plan which sets out a five-year work plan to reduce carbon emissions across the Group’s activities.
www.aeat.co.uk

**Best Foot Forward**
is a sustainability consultancy specialising in ecological and carbon footprinting. It helped us calculate the ecological footprint of two of our “typical” property types.
www.bestfootforward.com

**Business in the Community**
is a movement of more than 700 businesses committed to improving their impact on society. Workspace is a member and this year took part in its Corporate Responsibility Index and achieved membership of its PerCent Club.
www.bitc.org.uk

**Carbon Trust**
helps businesses cut carbon emissions and has worked in partnership with us over the last year to identify opportunities for the greatest reductions.
www.carbontrust.co.uk

**Kingston University**
and its researchers at the Small Business Research Centre conducted research into environmental attitudes and behaviours amongst our customers.
www.kingston.ac.uk/sbrc

**London Better Together (LBT)**
is a campaign aimed at making London a better place to do business. Workspace Group has worked with LBT to promote its aims to both customers and suppliers, and is also a signatory.
www.londonbettertogether.org.uk

**Loop Management**
is a London-based recycling company. Workspace has worked in partnership with Loop for many years and together we have achieved great success in our recycling activities.
www.loopsolutions.co.uk

**London Remade**
operate The Green Procurement Code on behalf of The Mayor of London. In 2006/07, Workspace won an award for its green procurement activities.
www.londonremade.com

**The Mayor's Office**
developed The London Plan: Spatial Development Strategy for Greater London. The Plan formed a framework for our 2006 Sustainability Report and, as London is our marketplace, continues to be a reference point for our sustainability agenda.
www.london.gov.uk/mayor

**Upstream**
is a sustainability consultancy with a specialist focus on the property sector. Upstream has worked with Workspace as sustainability consultants since 2001.
www.upstreamstrategies.co.uk

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Illustrations by:
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Aude Van Ryn (pages 4-5)
Michael Gillette (pages 7 & 9)
Photography by Andy Stewart
Designed by Carnegie Orr (a Workspace Group customer)