

Corporate governance

Statement by the directors on compliance with the provisions of the Combined Code

A summary of the system of governance adopted by the Company is set out below. Throughout the year ended 31 March 2008, the Company complied with the Code provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006.

The Board of Directors

The Board comprises the Chairman, four Executive Directors and four Non-Executive Directors. The Chairman is responsible for the effectiveness of the Board, and the Chief Executive for the day-to-day management of the Company, with the division of responsibilities approved by the Board.

The Board is responsible to shareholders for the management and control of the Group's activities and good corporate governance. The Board meets for scheduled Board meetings at least six times a year. Key matters reserved for the Board include:

- the setting and monitoring of strategy, including dividend policy;
- reviewing performance and implementation of the strategy by the Executive Directors;
- significant financing arrangements;
- examining major potential acquisitions and disposals;
- approval of major developments;
- interim, half year and annual reporting to shareholders;
- approving policy on key areas including corporate responsibility, objectives and targets, health and safety and the environment;
- Board appointments and the appointment and removal of the Company Secretary; and
- corporate governance and Board evaluation.

At least once a year the Board reviews the nature and magnitude of matters reserved for its decision. After each Board meeting the Chairman and the other non-executives meet without the Executive Directors, and at least three times a year the non-executives meet without the Chairman. In addition, individual directors meet regularly outside the formal Board meetings as part of each director's contribution to the delivery of the Company's strategy and review of operations. The Executive Directors also meet weekly as the Executive Committee, chaired by the Chief Executive, to deal with the ongoing management of the Group with copies of the minutes of these meetings distributed to the Chairman and Non-Executive Directors.

The biographies of all members of the Board are set out on pages 40 to 41. Richard Peskin, who was Managing Director until March 2000, is Non-Executive Chairman of the Board, Toby Courtauld is Chief Executive and Kathleen O'Donovan is the Senior Independent Director. Each of the Non-Executive Directors is considered to be independent of the executive management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

To enable the Board to discharge its duties, all directors receive appropriate and timely information, including briefing papers distributed in advance of Board meetings and regular property tours. All directors have access to the advice and services of the Company Secretary, who is responsible to the Chairman on matters of corporate governance. The directors may, at the Company's expense, take independent professional advice and are offered formal training in specific areas relevant to either their speciality or Committee roles or to the Board as a whole. On appointment, new Non-Executive Directors, who are expected to provide a time commitment to the Company of at least 24 days a year, are provided with a detailed induction programme on the Company's operations, including social, ethical and environmental matters, and meet with senior management as part of a guided tour of the Group's main properties.

Attendance at Board and Committee meetings during the year was as follows:

	Board – scheduled (6 meetings)	Board – other (6 meetings)	Nomination Committee (2 meetings)	Remuneration Committee (3 meetings)	Audit Committee (6 meetings)
Chairman					
Richard Peskin	6	6	2	–	–
Executive Directors					
Toby Courtauld	6	6	–	–	–
Robert Noel	6	6	–	–	–
Timon Drakesmith	6	6	–	–	–
Neil Thompson	6	6	–	–	–
Non-Executive Directors					
Kathleen O'Donovan	6	6	2	3	6
Charles Irby	6	5	–	3	6
Phillip Rose	6	6	2	–	4
Jonathan Short ⁽¹⁾	6	6	–	3	4

(1) Appointed on 2 April 2007.

The Company maintains directors' and officers' liability insurance and pension trustee liability insurance, both of which are reviewed annually.

Board performance evaluation

Each year the Board undertakes a formal evaluation of its own performance and that of its Committees and individual directors either internally, by the Senior Independent Director, or by external consultants. This year, in order to maintain objectivity and to ensure “best practice” following three years of internal Board review; the performance evaluation was undertaken externally by Dr Tracy Long of Boardroom Review based on all the directors, including the Chairman, completing a comprehensive questionnaire and then having one-to-one interviews with Dr Long. The process covered Board, Committee and personal performance and the output was reviewed at the March Board meeting as part of a wider corporate governance review. Overall, it was concluded that the Board and its Committees continued to operate effectively with appropriate procedures put in place for minor areas identified for improvement.

Committees of the Board

The Board has Nomination, Remuneration and Audit Committees which deal with specific aspects of the Group’s affairs, each of which has written terms of reference which are regularly reviewed and which deal with their authorities and duties. Copies of these terms of reference are available on written request and on the Company’s website at www.gpe.co.uk/investors/governance/.

Nomination Committee

The Nomination Committee comprises Kathleen O’Donovan (Chairman), Phillip Rose and Richard Peskin. It undertakes an annual review of succession planning for Senior Executives and ensures that the membership and composition of the Board, including the balance of the skills, continue to be appropriate. In making recommendations to the Board of Non-Executive Directors, it specifically considers the expected time commitment of the proposed Non-Executive and other commitments they already have. Agreement of the Chairman of the Company is also required before a Non-Executive Director may accept any additional commitments which could affect the time available to devote to the Company.

Non-Executive Directors are not appointed for specified terms but are subject to re-election by the shareholders at least every three years. Under the current Articles of Association at least a third of the Board, not including directors appointed during the year, must retire by rotation from the Board each year and all proposed reappointments to the Board are formally considered by the Nomination Committee in March. Under the proposed new Articles of Association, a director will retire from office at the third annual general meeting following the annual general meeting at which he was appointed or last reappointed.

As outlined in the Chairman’s statement on page 5, it is intended that Richard Peskin, who has been Non-Executive Chairman since March 2000, will retire on 16 March 2009 and recruitment of a new Chairman has begun using external consultants Whitehead Mann.

Remuneration Committee

The Remuneration Committee, which comprises Charles Irby (Chairman), Jonathan Short and Kathleen O’Donovan, has responsibility for determining the remuneration, bonuses, contract terms and other benefits in respect of the Executive Directors, and the remuneration of the Chairman. It also considers and establishes Company policy on remuneration, with access to professional advice outside the Company, as required. Its role is described further in the Directors’ remuneration report on pages 49 to 54.

Audit Committee

The Audit Committee comprises Kathleen O’Donovan (Chairman), Charles Irby, Phillip Rose and Jonathan Short (who was appointed to the Committee on 22 January 2008). Miss O’Donovan is also Chairman of the Audit Committee of Prudential plc and Trinity Mirror plc and a member of the Audit Committee of Arm Holdings plc. The Audit Committee provides a forum for reporting by the Group’s external auditors and meetings are also attended by certain Senior Executives, by invitation. During the year, the Committee was responsible for reviewing, and reporting to the Board on, a range of matters including:

- the interim management statements, the half year and annual financial statements and significant reporting judgements therein;
- meetings with the Company auditors and property valuers;
- developments in accounting and reporting requirements;
- the review of the Company’s internal control and risk management systems;
- the scope, effectiveness independence and objectivity of the external audit;
- the external auditors’ management letter;
- the level of fees paid to the external auditors;
- the potential need for an internal audit function; and
- the Company’s whistleblowing policy.

The Audit Committee advises the Board on the appointment of the external auditors, their remuneration for audit and non-audit work, and their cost effectiveness, independence and objectivity, and discusses the nature, scope and results of the audit with the external auditors. As part of the review of the effectiveness of the auditors, a formal evaluation process incorporating feedback from the Audit Committee and relevant members of management is provided to the auditors.

The auditors are responsible for the annual audit and other services which the Audit Committee believe they are best placed to undertake due to their position as auditors. During the year these included compliance reporting for transactions, debentures, bonus plans and the long-term incentive plans.

Deloitte & Touche LLP have confirmed to the Audit Committee that they remain independent and have maintained internal safeguards to ensure their objectivity.

Due to its size and structure, the Group does not have an internal audit function, a matter which is kept under review by the Committee. Although there is no formal internal audit function, a rolling programme of review of key controls is conducted through a combination of the external audit process or through reviews by members of the finance team and/or external advisers as appropriate.

Internal controls

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its effectiveness, at least annually. Such a system can only provide reasonable, and not absolute, assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

There are ongoing processes and procedures for identifying, evaluating and managing the principal risks faced by the Group; these processes and procedures were in place throughout the year under review and up to the date of the approval of the Annual Report, and accord with the Turnbull guidance "Internal Control – Guidance for Directors on the Combined Code".

Key features of the system of internal control include:

- a comprehensive system of financial reporting and business planning;
- a defined schedule of matters for decision by the Board;
- an organisational structure with clearly defined levels of authority and division of responsibilities;
- formal documentation procedures;
- the close involvement of the Executive Directors in all aspects of day-to-day operations, including regular meetings with senior management to review all operational aspects of the business and risk management systems; and
- The Board reviewing Group strategy and progress on developments at each scheduled Board meeting.

The Audit Committee carries out a twice yearly review of the framework of how the Group's risks are managed through operational management procedures/authorisations, ongoing review by the Executive Committee, and Board review and oversight, formally considering the scope and effectiveness of the Group's system of internal control and reporting to the Board. This involves the identification of risks specific to the areas of property and financial markets which impact on the Group's objectives, together with the controls and reporting procedures designed to minimise those risks, which are reviewed, formalised and updated throughout the year, as appropriate. These include business risks, financial controls, social, ethical and environmental issues and policy, and the regulatory environment. Key risks to the business and the processes in place by which the Company aims to manage those risks are included on page 31.

Relations with shareholders

Communications with shareholders is given a high priority and the Company undertakes a regular dialogue with shareholders and fund managers. Visits are also arranged to buildings of particular interest or significance, particularly in relation to developments, to assist investors' understanding of the Company's business. The Executive Directors are the Company's principal spokesmen with investors, analysts, fund managers, press and other interested parties, and independent feedback on presentations by the Executive Directors to all major shareholders is provided to the Non-Executive Directors on a regular basis. Presentations to analysts and the accompanying script are simultaneously posted on the Company's website at www.gpe.co.uk/investors/presentations. As Chairman and Senior Independent Director, respectively, Richard Peskin and Kathleen O'Donovan are each available, as appropriate, as a contact for shareholders.

The Annual General Meeting provides the Board with an opportunity to communicate with, and answer questions from, private and institutional shareholders and the whole Board is available before the meeting, in particular, for shareholders to meet new directors. The Chairman of each of the Audit, Nomination and Remuneration Committees is available at the Annual General Meeting to answer questions. Details of the resolutions to be proposed at the Annual General Meeting on 3 July 2008 can be found in the Notice of Meeting on pages 84 to 85. Details of the number of proxy votes for, against and withheld for each resolution, will be disclosed at the meeting and posted to the Company's website.

Going concern

After making due enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board



Desna Martin
Company Secretary

21 May 2008