

Corporate governance

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

The Board is committed to maintaining a high standard of corporate governance.

A summary of the system of governance adopted by the Company is set out below. Throughout the year ended 31 March 2010, the Company fully 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 2008.

The Board of directors

The Board comprises the Chairman, three 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;
- reviewing the Group's property valuation;
- 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 sustainability objectives and targets, health and safety and the environment;
- Board appointments and the appointment of the Company Secretary; and
- corporate governance and Board evaluation.

At least once a year the Board reviews the nature and scale of matters reserved for its decision. The Chairman and the other Non-Executives meet regularly without the Executive Directors, and at least twice 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 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 48 and 49. Martin Scicluna is Non-Executive Chairman of the Board, Toby Courtauld is Chief Executive and Charles Irby 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, 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.

Conflicts of interest

In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The decision to authorise a conflict of interest can only be made by non-conflicted directors (those who have no interest in the matter being considered) and in making such a decision the directors must act in a way they consider in good faith will be most likely to promote the Company's success. The Company has established a procedure whereby actual and potential conflicts of interest of current and proposed roles to be undertaken by the Board with other organisations are regularly reviewed in respect of both the nature of those roles, and their time commitment, and for proper authorisation to be sought prior to the appointment of any new director. The Board consider these procedures to be working effectively.

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

	Board – scheduled (7 meetings)	Board – other (10 meetings) ¹	Nomination Committee (3 meetings)	Remuneration Committee (9 meetings)	Audit Committee (6 meetings)
Chairman					
Martin Scicluna	7	10	3	–	–
Executive Directors					
Toby Courtauld	7	9	–	–	–
Timon Drakesmith	7	8	–	–	–
Neil Thompson	7	10	–	–	–
Robert Noel ^{2,3}	3(5)	6(9)	–	–	–
Non-Executive Directors					
Charles Irby ^{2,4}	6	7	1(1)	7	5
Jonathan Nicholls ^{2,5}	4(4)	5(6)	–	6(6)	5(5)
Philip Rose	7	9	3	–	6
Jonathan Short	7	9	–	8	6
Kathleen O'Donovan ^{2,6}	3(3)	4(4)	2(2)	3(3)	1(1)

1 Due to the extent of corporate activity in 2009/10, there were an unusually high number of Board meetings, many called at short notice.

2 The number in (parentheses) indicates the maximum number of meetings the director could have attended.

3 Robert Noel resigned from the Board on 17 September 2009 with effect from 31 December 2009 and by mutual agreement did not attend any Board meetings in the period from 17 September to 31 December 2009.

4 Due to a longstanding commitment, Charles Irby was absent from the UK for three weeks in May 2009. During this period Kathleen O'Donovan, as Senior Independent Director, chaired the Remuneration Committee. Charles Irby was not appointed to the Nomination Committee until 10 July 2009 following Kathleen O'Donovan's retirement from the Board.

5 Appointed as a Non-Executive Director on 10 July 2009.

6 Retired from the Board on 9 July 2009.

Where directors are unable to attend meetings, their comments, as appropriate, are provided to the Committee Chairman prior to the meeting.

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

Board performance evaluation

The Board undertakes a formal internal evaluation conducted by the Senior Independent Director of its own performance and that of its Committees and individual directors annually, alternated with an evaluation, at least every fourth year, conducted by external consultants.

This year, the performance evaluation was undertaken internally and involved each director, including the Chairman, completing a comprehensive questionnaire and then having one-to-one interviews with Charles Irby as the Senior Independent Director assisted by Desna Martin as the Company Secretary. The process covered Board, Committee and personal performance. The output including the results of the questionnaire; a summary of the interviews; and the recommendations and actions required, was reviewed at the March 2010 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 and which are reviewed annually by the Board. Copies of these terms of reference are available on written request and on the Company's website at www.gpe.co.uk/investors/governance/

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

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Nomination Committee

Month	Principal activities
April 2009	Succession planning in connection with Kathleen O'Donovan's potential retirement from the Board at the 2009 Annual General Meeting
June 2009	Recommendation to the Board of the appointment of Jonathan Nicholls as Non-Executive Director and Chairman of the Audit Committee, appointment of Charles Irby as Senior Independent Director and Committee memberships with effect from 10 July 2010
February 2010	Review of Committee memberships and reappointments to the Board for proposal at the 2010 Annual General Meeting

The Nomination Committee comprises Martin Scicluna (Chairman), Charles Irby and Phillip Rose. It undertakes an annual review of succession planning 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 on Non-Executive Directors, it specifically considers the expected time commitment of the proposed Non-Executive and other commitments they already have. Agreement of the Board is also required before a Non-Executive Director may accept any additional commitments to ensure possible conflicts of interest are identified and which could affect their 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 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 and all proposed reappointments to the Board are formally considered by the Nomination Committee in respect of each individual's continued effectiveness and commitment to the role.

At the beginning of 2009, in anticipation of Kathleen O'Donovan retiring from the Board at the 2009 Annual General Meeting, the Nomination Committee considered a short list of candidates provided by external recruitment consultants for the role of Chairman of the Audit Committee. Following an interview and selection process, the Nomination Committee recommended the appointment of Jonathan Nicholls, who was Group Finance Director of Old Mutual plc from 2006 to 2008 and previously Group Finance Director of Hanson plc, as a Non-Executive Director with effect from 10 July 2009.

Remuneration Committee

Month	Principal activities
April/May 2009	Review of performance and remuneration <ul style="list-style-type: none"> • Review of: <ul style="list-style-type: none"> – year end appraisals of Executive Directors and Senior Managers below Board level and their objectives and targets set for forthcoming year – Senior Manager bonuses – Senior Manager salary, bonus and long-term incentive levels for forthcoming year • Approval of: <ul style="list-style-type: none"> – Executive Director bonuses – Executive Director salary, bonus and long-term incentive levels for forthcoming year – Executive Director and employee corporate bonus plan targets
May 2009	Approval of the 2009 LTIP and SMP awards
July 2009	Review of the 2006 LTIP and SMP performance and vesting of awards
September 2009	Review of executive remuneration arrangements Approval of a change in the corporate measure under the Employee Bonus Plan
January 2010	Appointment of PricewaterhouseCoopers as remuneration consultants Review of executive remuneration arrangements
February/March 2010	Review of proposed changes to executive remuneration
April/May 2010	Consultation with major shareholders, the ABI and RiskMetrics of proposed changes to executive incentive arrangements

The Remuneration Committee comprises Charles Irby (Chairman), Jonathan Short and Jonathan Nicholls. Martin Scicluna, in his role as Chairman, also attends key meetings relating to remuneration of the Executive Directors. The Remuneration Committee has responsibility for determining the remuneration, bonuses, long-term incentive arrangements, contract terms and other benefits in respect of the Executive Directors, approval of remuneration arrangements for senior employees and the remuneration of the Chairman. It also reviews the framework for the remuneration of all other employees and has access to professional advice outside the Company, as required. Its role is described further in the Directors' remuneration report on pages 62 to 72.

Audit Committee

Month	Principal activities
May 2009	Review of year end results <ul style="list-style-type: none"> • Review of Annual Report/Preliminary Announcement • Meeting with the Valuers • Meeting with the Auditors • Review of internal controls and risk management process
July 2009	Review of Interim Management Statement <ul style="list-style-type: none"> • Meeting with the Valuers
September 2009	Annual planning meeting <ul style="list-style-type: none"> • Meeting with the Auditors Review of: <ul style="list-style-type: none"> – Audit Plan – effectiveness and independence of the auditors – 2009 management letter – control environment review – audit/non-audit fees – accounting and reporting requirements Approval of policy for non-audit work by the auditors
October 2009	Review of half year results <ul style="list-style-type: none"> • Review of half year result announcement • Meeting with the Valuers • Meeting with the Auditors • Review of internal controls and risk management process • Review of pension plan annual accounts • Review of relationship between the auditors and GPE management
January 2010	Review of Interim Management Statement <ul style="list-style-type: none"> • Meeting with the Valuers
February 2010	Year end planning update <ul style="list-style-type: none"> • Meeting with the Auditors Review of: <ul style="list-style-type: none"> – Audit Plan update – developments in accounting and reporting requirements

The Audit Committee comprises Jonathan Nicholls (Chairman), Charles Irby, Phillip Rose and Jonathan Short. Jonathan Nicholls was previously Group Finance Director of Old Mutual plc and Hanson plc and is Chairman of the Audit Committee of SIG plc. The Audit Committee provides a forum for reporting by the Group's external auditors and meetings are also attended by certain Executive Directors and Senior Managers, by invitation and Martin Scicluna, as Chairman, also attends the Committee meetings in connection with the half year and year end results. 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 and key assumptions 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.

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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 statutory 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 the Rights Issue, the debenture trust deed, and other accounting advice.

Deloitte LLP have been the Group's auditors since 2003. In the opinion of the Audit Committee, the relationship with the auditors works well and the Committee remains satisfied with their independence and effectiveness. It has, accordingly, not considered it necessary to require the firm to tender for the audit work to date. It is a requirement that the audit partner responsible for the Group and subsidiary audits is rotated every five years and the current lead audit partner has been in place since 2008. There are no contractual obligations restricting the Company's choice of external auditor.

During the year, the Committee adopted a formal policy in respect of non-audit services permitted to be provided by the external auditor. Under the policy, prior approval is required by the Audit Committee for assignments over £50,000, or where such an assignment would take the cumulative total of non-audit fees paid to the external auditors over 50% of that year's audit fees.

Deloitte LLP has 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;
- the Board reviewing Group strategy and progress on developments at each scheduled Board meeting; and
- a formal whistleblowing policy.

Twice a year, the Audit Committee carries out a 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. The Committee formally considers the scope and effectiveness of the Group's system of internal control and reports 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 pages 35 and 37.

Relations with shareholders

Communication with shareholders is given a high priority and the Company undertakes a regular dialogue with major shareholders and fund managers. Visits are also arranged to properties 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 representatives 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.

Martin Scicluna, as Chairman, meets with major shareholders, as appropriate, during the course of the year.

In connection with the proposed changes in executive incentive arrangements, consultation was undertaken with the Group's top ten shareholders and shareholder representative bodies prior to finalising the proposals outlined in the Directors' remuneration report and for which shareholder approval at the Annual General Meeting is sought.

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, Martin Scicluna and Charles Irby 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 8 July 2010 can be found in the Notice of Meeting on pages 104 to 106. 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.

By order of the Board



Desna Martin

Company Secretary

20 May 2010