

# Corporate Governance

## Statement of compliance with the Code of Best Practice

The Company has, except where otherwise explained, complied throughout the year with the Provisions of the Code of Best Practice and the Principles of Good Governance set out in section 1 of the Combined Code.

## Board effectiveness

The directors listed on page 55 constituted the Board throughout the year, except that Stephen Hester was appointed to the Board on 12 November 2004. The Board is responsible for the strategy and effective control and management of the Group. There is a written division of responsibilities at the head of the Company between the Chairman and Chief Executive, which has been approved by the Board. There is a formal schedule of matters specifically reserved for Board approval, which includes approval of the annual and interim accounts, the approval of authority levels below the Board and material acquisitions, disposals and financing arrangements. The Board delegates authority to the Approvals Committee of the Board, which consists of the executive directors of the Company, in respect of certain transactions within defined, limited parameters. The Board has a regular schedule of meetings together with further meetings as required by the ongoing business of the Company. The executive directors meet weekly as the Executive Committee, chaired by the Chief Executive, to deal with the ongoing management of the Group.

The Chairman of the Board and individual directors meet regularly, outside formal Board meetings, as part of each director's continuing contribution to delivery of the Company's strategy and superior returns for shareholders. This process also allows for open two-way discussion about the effectiveness of the Board, its committees and individual directors, both executive and non-executive. By this means the Chairman is continuously aware of the views of individual directors and can act as necessary to deal with any issues relating to Board effectiveness before they can become a risk to the Company.

There is a strong and independent non-executive element on the Board as shown by the details of directors on page 55.

## Committees of the Board

The Board has established Audit, Remuneration and Nomination Committees which operate within defined terms of reference, which are made available on the Company's website [www.britishland.com](http://www.britishland.com), and their minutes are circulated to the Board.

## Attendance at Board or Committee meetings during the year to 31 March 2005

(where '-' is shown, the Director listed is not a member of the Committee)

Name	Board	Nomination Committee	Audit Committee	Remuneration Committee
John Ritblat	6	1	-	-
Sir Derek Higgs	5	1	-	4
Stephen Hester*	2	-	-	-
John Weston Smith	6	1	-	-
Nicholas Ritblat	5	-	-	-
Michael Cassidy	6	1	-	-
Robert Bowden	5	-	-	-
Robert Swannell	6	1	-	-
Lord Burns	5	0	3	3
Graham Roberts	6	-	-	-
Dr Christopher Gibson-Smith	4	1	2	3
David Michels	5	1	2	3
<b>No. of meetings during the year</b>	<b>6</b>	<b>1</b>	<b>3</b>	<b>4</b>

\*Two meetings held since appointment to Board on 12 November 2004.

The Audit and Remuneration Committees are entirely composed of independent non-executive directors. Sir Derek Higgs is Deputy Chairman and Chairman of the Remuneration Committee.

Dr Christopher Gibson-Smith is the Senior Independent Non-Executive Director. Lord Burns is Chairman of the Audit Committee.

## Nomination Committee

The Nomination Committee's responsibilities include making recommendations to the Board on all new Board appointments and succession planning. It consists of the six non-executive directors together with John Ritblat and John Weston Smith. Dr Christopher Gibson-Smith is Chairman of the Nomination Committee.

During the year the Nomination Committee concluded an extensive search, with the help of consultants Whitehead Mann, to select a new Chief Executive. In consequence, Stephen Hester joined the Company as Chief Executive on 12 November 2004.

## Rotation of directors

Under the Articles of Association of the Company, each director retires at the third annual general meeting after the general meeting at which he was last elected.

## Non-executive directors

The Board considers that Sir Derek Higgs, Michael Cassidy, Robert Swannell, Lord Burns, David Michels and Dr Christopher Gibson-Smith are independent non-executive directors. In making this determination the Board has considered whether each director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could affect, the director's judgement. The Board believes that it is evident from consideration of the non-executive directors' biographies detailed on page 55 that they are of the integrity and stature to perform their roles of independent non-executive directors.

The Board has considered Sir Derek Higgs' positions at UBS Investment Bank and Jones Lang LaSalle and noted that i) these are not executive positions: he is a non-executive director at British Land and Jones Lang LaSalle and at UBS Investment Bank is a part-time non-executive adviser; ii) Sir Derek declares an interest and is not involved at either Jones Lang LaSalle or UBS Investment Bank in the decision-making process regarding Jones Lang LaSalle or UBS Investment Bank's services to British Land, nor does he participate in any such discussions at British Land; and iii) the fees paid by British Land to UBS Investment Bank and Jones Lang LaSalle are immaterial in size, amounting in each case to considerably less than 1% of British Land's turnover.

The Board has also considered Dr Christopher Gibson-Smith's non-executive directorship of Lloyds TSB (from which he retired in May 2005) and noted that: i) these are not executive positions: he is a non-executive director at British Land and was a non-executive director at Lloyds TSB; ii) Dr Christopher Gibson-Smith declared an interest and was not involved at Lloyds TSB in the decision-making process regarding Lloyds TSB's relationship with British Land, nor did he participate in any such discussions at British Land; and iii) the fees paid by British Land to Lloyds TSB are immaterial in size, amounting to considerably less than 1% of British Land's turnover.

Notwithstanding that Michael Cassidy has served on the Board for nine years, the Board does not consider that, given his integrity and stature, this affects his independence. Michael Cassidy is proposed for a one year re-election by shareholders, having been re-elected previously at the Annual General Meeting in 2002. His details are set out on page 55.

The terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office and at the Annual General Meeting.

#### **BL Board performance evaluation**

In 2005, a formal Board Performance Appraisal process has been introduced with each director giving detailed input, the results of which are considered by the Chairman, Senior Independent Non-Executive Director and Board as appropriate and relevant consequential changes made.

The Senior Independent Non-Executive Director discusses the performance of the Chairman with other directors annually, or more frequently as necessary.

#### **Remuneration policy and Committee**

Details of the Group remuneration policy are set out in the Remuneration Report on pages 58 to 63.

#### **Investor Relations**

The directors place considerable importance on maintaining open and clear communication with investors. The Company's Investor Relations department is dedicated to facilitating communication with shareholders. The Company has an ongoing programme of dialogue and meetings between the executive directors and its shareholders, where a wide range of relevant issues including strategy, performance, the market, management and governance are discussed within the constraints of the information already known to the market. In addition, the Company undertakes regular roadshows to the US, Scotland and the Netherlands and participates in sector conferences.

The directors consider it is important to understand the views of shareholders, and at each scheduled Board meeting the directors receive a written report of the issues which have been raised with management. Meetings are also held between shareholders and the Senior Independent Non-Executive Director and other non-executive directors, and the Company facilitates such meetings on request.

During the course of a year, shareholders are kept informed of the progress of the Company through results statements and other announcements that are released through the London Stock Exchange and other news services. Company announcements and presentations are made available simultaneously on our website, affording all shareholders full access to material information. Shareholders can also raise questions directly with the Company at any time through a facility on the website.

Additionally there is an opportunity at the Annual General Meeting (AGM) for individual shareholders to question the Chairman and the Chairmen of the Audit, Remuneration and Nomination Committees. At the meeting, the Company complies with the Combined Code as it relates to voting, including votes withheld, the separation of resolutions, the attendance of committee chairmen and voting by poll. The Annual Report & Accounts and Notice of Meeting are sent to shareholders at least 20 working days prior to the AGM. The voting results are announced to the London Stock Exchange and are available on the website and on request. In July 2004, all AGM resolutions were passed on a poll and were approved by substantial majorities in excess of 97% in each case.

#### **Going concern**

After making enquiries and examining major areas which could give rise to significant financial exposure the directors are satisfied that no material or significant exposures exist, other than as reflected in these financial statements, and that the Group has adequate resources to

continue its operations for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

#### **Statement of directors' responsibilities**

The directors are required to prepare financial statements which comply with the Companies Act 1985 on a going concern basis (unless inappropriate) and which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for ensuring that proper and adequate accounting records have been maintained and that reasonable procedures have been followed for safeguarding the assets of the Group and for preventing and detecting fraud and other irregularities.

The directors are also responsible for the Group's system of internal controls, which is designed to meet the Group's particular needs and the risks to which it is exposed.

#### **Auditors and valuers**

The Audit Committee meets with the auditors and valuers to discuss with them the scope and conclusions of their work. The Committee is specifically charged under its terms of reference with considering matters relating to the audit appointment, the independence and objectivity of the auditors, and reviewing the results and effectiveness of the audit.

With respect to other services provided by the auditors the following framework is in place:

- Audit related services – the auditors are one of a number of firms providing audit-related services, which include formal reporting relating to borrowings, shareholder and other circulars and various other regulatory reports and work in respect of acquisition and disposals. Where they must carry out the work because of their office or are best placed to do so, the auditors are selected. In other circumstances the selection depends on which firm is best suited;
- Tax advisory – the auditors are one of a number of firms that provide tax advisory services, including the preparation and submission of tax returns. The selection depends on who is best suited in the circumstances;
- General consulting – the auditors do not provide general consultancy services except in rare circumstances, and then only after consideration that they are best placed to provide the service and that their independence and objectivity would not be compromised.

An analysis of fees paid to the auditors is set out on page 85.

The Board is pleased to announce the appointment of Knight Frank in succession to Atisreal as principal valuers to the Group. Knight Frank will report for the first time on the September 2005 valuation.

Atisreal have been valuers to the Group for some 20 years and the Board is grateful for their diligent and professional approach throughout that period. The Board felt a change appropriate after such a long period and in response to trends in good governance.

The Board has also decided to introduce quarterly financial reporting including valuations with effect from December 2005 so as to provide shareholders with a more regular update on its portfolio performance.

The arrangements with auditors and valuers have been approved by the Audit Committee and are regularly reviewed in the light of changing requirements and best practice.