

Corporate Governance

Statement of compliance with the Code of Best Practice

The Company has complied throughout the year with the Provisions of The Combined Code on Corporate Governance 2006.

Board effectiveness

The Board is responsible for the strategy, 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 quarterly 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 and senior executives who comprise the Executive Committee meet weekly, 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 64.

British Land Board performance evaluation

The formal Board Performance Appraisal process requires each director to give detailed input annually, 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 meets to discuss the performance of the Chairman with other directors annually, or more frequently as necessary. The Chairman meets with each non-executive director annually to discuss their contribution. The Chairman provides the Remuneration Committee with a written appraisal of the Chief Executive's performance for the year. Similarly the Chief Executive provides the Remuneration Committee with a written assessment of the executive directors' performance.

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, and their minutes are circulated to the Board. The Audit and Remuneration Committees are entirely composed of independent non-executive directors. Sir David Michels is the Senior Independent Non-executive Director.

Attendance at Board or Committee meetings during the year to 31 March 2008 (where '-' is shown, the director listed is not a member of the Committee)

Name	Board	Audit Committee	Remuneration Committee	Nomination Committee
Chris Gibson-Smith	7	-	-	1
Stephen Hester	7	-	-	-
Robert Bowden ¹	5	-	-	-
Michael Cassidy ²	3	-	-	-
Clive Cowdery ³	6	0	-	-
Andrew Jones	7	-	-	-
Sir David Michels	6	4	2	1
Graham Roberts	7	-	-	-
Tim Roberts	7	-	-	-
Kate Swann	6	-	3	-
Robert Swannell	7	5	-	1
John Travers ⁴	1	-	-	-
Lord Turnbull	7	5	3	-
No. of meetings during the year	7	5	3	1

¹ Five Board meetings held during Board membership to 31 December 2007

² Three Board meetings held during Board membership to 13 July 2007

³ Seven Board meetings held since Board appointment on 10 May 2007, no Audit Committees held since appointment to Committee, 18 March 2008

⁴ One Board meeting held during Board membership 10 May 2007 to 21 June 2007

Nomination Committee

The Nomination Committee's responsibilities include making recommendations to the Board on all new Board appointments and succession planning. It consists of Chris Gibson-Smith, Sir David Michels and Robert Swannell.

The Nomination Committee during the year has also considered inter alia, the structure, size and composition of the Board and its committees, the recommendations to the Board of directors retiring by rotation for re-election by shareholders and the renewal of non-executive directors' letters of appointment.

Remuneration policy and Committee

Details of the Group remuneration policy and Committee are set out in the remuneration report on pages 69 to 77.

Audit Committee

The Audit Committee meets regularly during the year. It has been chaired by Robert Swannell throughout the year and includes three other non-executive directors, Sir David Michels, Lord Turnbull and Clive Cowdery (appointed 18 March 2008). The Committee's responsibilities include:

- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- reviewing the Company's internal financial controls and the Company's internal control and risk management systems;
- monitoring and reviewing the effectiveness of the Company's internal audit function;
- making recommendations to the Board in relation to the appointment of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence, objectivity and effectiveness;
- reviewing and monitoring the valuation process; and
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance.

The Audit Committee has undertaken each of the above responsibilities during the year on which it has received and reviewed relevant reports from management, the valuers, the internal and the external auditors. It has agreed a schedule of internal audit reviews of various of the Group's processes and controls to be undertaken, and has reviewed the results of those reviews already completed.

Rotation of directors

Under the Articles of Association of the Company, each director retires at the third Annual General Meeting ('AGM') after the general meeting at which he was last elected.

Non-executive directors

The Board considers that Clive Cowdery, Sir David Michels, Kate Swann, Robert Swannell and Lord Turnbull 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 64 that they are of the integrity and stature to perform their roles of independent non-executive directors.

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

Internal Control

The directors are responsible for the maintenance of a sound system of internal control. The Board continues to apply the internal control provisions of The Combined Code on Corporate Governance (the Code) through a continuous process for identifying, evaluating and managing the significant risks the Group faces. This process has been in place throughout the year and up to the date of approval of this report, and the Group has been in compliance with the provisions set out in Section 1 of the Code. The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group applies two fundamental control principles:

- a defined schedule of matters reserved for decision by the Board; and
- a detailed authorisation process which ensures that no material commitments are entered into without competent and proper authorisation by more than one approved executive.

In compliance with the provisions of the Code, the Board continuously reviews the effectiveness of the Group's system of internal control. The key risks that the Group faces and features of the internal control system that operated throughout the period covered by the accounts are described below:

Identification and evaluation of commercial risks and related control objectives

British Land has undertaken a comprehensive risk assessment, which has identified 19 principal risks that affect the Group. The responsibility for management of each key risk has been clearly identified and delegated by the Board to specific executive directors and senior executives within the Group. The executive directors have close involvement with the day-to-day operational matters of the Group. In addition to the meetings of the Board frequent meetings of the executive directors take place to review the Group's activities.

The Board and the executive directors consider the risk implications of business decisions. These include matters such as treasury policies and major transactions. The control environment is supported by the various committees of the Board including the Audit Committee, the Corporate Responsibility Committee and the Derivatives Committee. The way each risk is managed within the Group is considered at least annually by the executive directors and the Audit Committee. The Group re-assesses these risks on a regular basis to ensure that any risk arising from changes in the Group's operations or the external environment are identified and appropriately managed.

In order to provide relevant and timely information to the directors and executives with responsibility for managing risks, the Group has the following key information systems which generate reports as follows:

- a management reporting system which includes regular working capital reports and forecasts; operational reporting on property purchases, sales, rental income and portfolio management; and
- regular reporting to the Board on financial and treasury matters.

Monitoring

The Audit Committee meets regularly throughout the year and has reviewed the Group's internal controls. The Audit Committee has agreed a schedule of internal audit reviews of several of the Group's processes and controls to be undertaken, and has reviewed the results of those reviews already completed. The Head of Internal Audit reports directly to the Audit Committee.

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, Europe and Japan 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 major 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 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 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 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 2007, all AGM resolutions were passed on a poll and were approved by substantial majorities in excess of 85% 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. The Group continues to adopt the going concern basis and the accounts have been prepared in accordance with 'Going Concern and Financial Reporting: Guidance for Directors of listed companies registered in the United Kingdom' published in November 1994.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the Group financial statements under IFRS as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these 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 UK 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 Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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. The selection depends on who is best suited in the circumstances; and
- 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 in note 5 on page 86.

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.