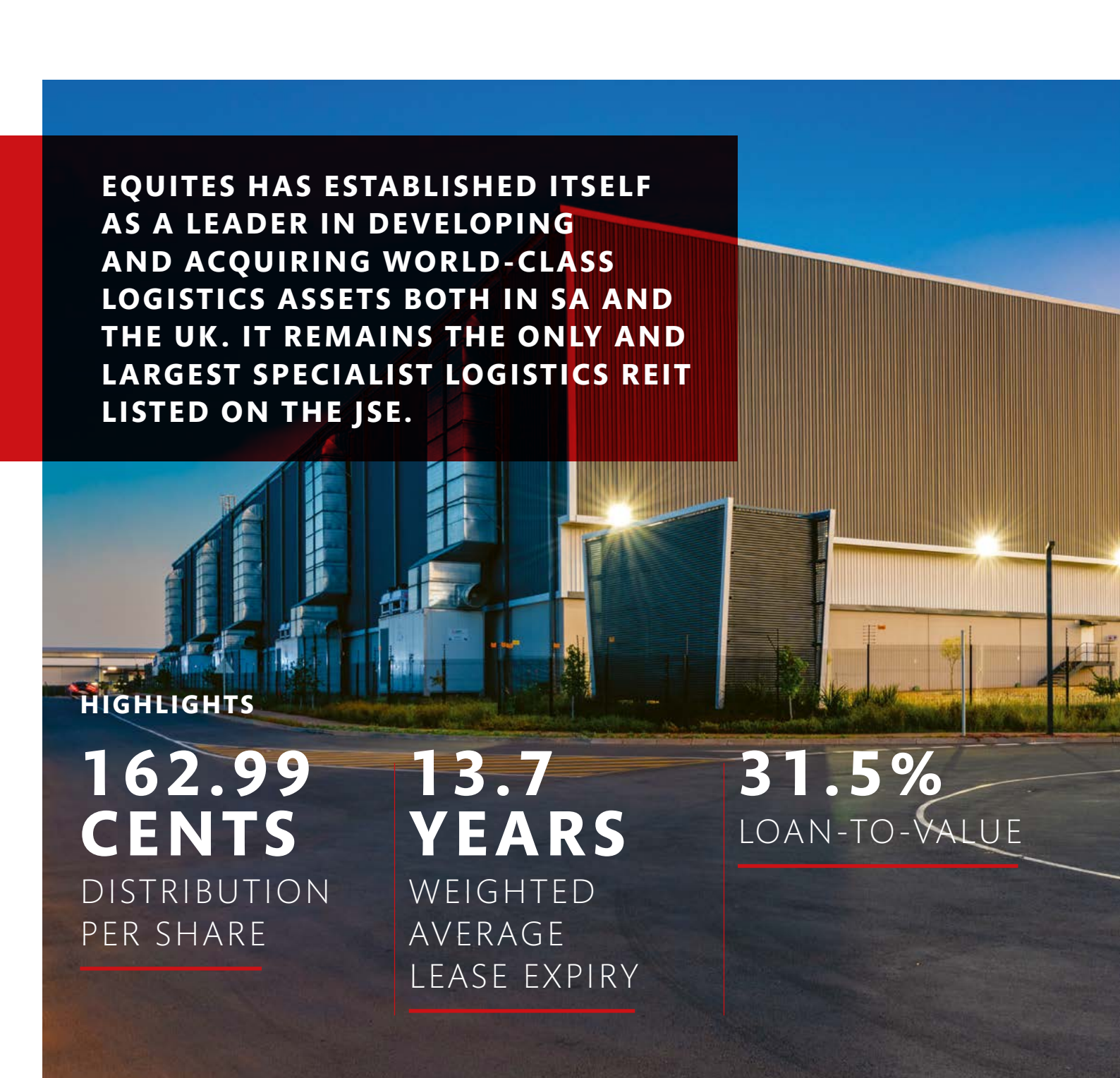


**equites**  
PROPERTY FUND

**INTEGRATED  
REPORT  
2022**

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**EQUITES HAS ESTABLISHED ITSELF AS A LEADER IN DEVELOPING AND ACQUIRING WORLD-CLASS LOGISTICS ASSETS BOTH IN SA AND THE UK. IT REMAINS THE ONLY AND LARGEST SPECIALIST LOGISTICS REIT LISTED ON THE JSE.**

## HIGHLIGHTS

**162.99  
CENTS**

DISTRIBUTION  
PER SHARE

**13.7  
YEARS**

WEIGHTED  
AVERAGE  
LEASE EXPIRY

**31.5%**  
LOAN-TO-VALUE

## ABOUT THIS REPORT

### REPORT SCOPE AND BOUNDARY

The Board of Directors of Equites Property Fund Limited are pleased to present the Integrated Report for the year ended 28 February 2022. The report has been compiled in accordance with International Financial Reporting Standards, the requirements of the Companies Act of South Africa, 2008, as amended, the JSE Listings Requirements, and the King Report on Corporate Governance for South Africa. This report covers financial and non-financial performance of the Group and provides an overview of the Group's performance, strategy, risks and governance. The report focuses on both the Group's operations in South Africa and in the United Kingdom.

### MATERIALITY

Equites identifies the concept of materiality to represent any item that could substantively affect the Group's ability to create value and influence the decisions of stakeholders. All items identified as being material by the Board have been disclosed in this report.

### REPORT APPROVAL AND INDEPENDENT ASSURANCE

The Board has approved this Integrated Report and believes that it has been prepared in accordance with best practice. Independent assurance has been provided over all financial and certain non-financial information presented in this report. PricewaterhouseCoopers Inc., as the external auditors, have issued an unqualified audit opinion on the consolidated annual financial statements.



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## HOW TO NAVIGATE THIS REPORT

### OUR INPUTS



FINANCIAL CAPITAL



HUMAN CAPITAL



INTELLECTUAL CAPITAL



MANUFACTURED CAPITAL



SOCIAL AND RELATIONSHIP CAPITAL



NATURAL CAPITAL

### SUSTAINABILITY



COMMUNITY INVOLVEMENT



DEDICATED SKILLED EMPLOYEES



EDUCATIONAL INITIATIVES



ENVIRONMENTAL AWARENESS



INSTILLING SOUND CORPORATE GOVERNANCE



RELATIONSHIPS DEEPLY ROOTED IN TRUST



STAKEHOLDER VALUE CREATION

 AS REFERENCED IN THE KING IV REPORT

 REFER TO REPORT WITHIN THIS INTEGRATED REPORT

 REFER TO ONLINE REFERENCE

### GLOSSARY

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## ABOUT EQUITES

### WHO WE ARE

Equites Property Fund Limited is a South African real estate investment trust, with a definite focus on being a market leader in the logistics property market by developing and acquiring A-grade, modern logistics facilities in prime locations in **SOUTH AFRICA** and the **UNITED KINGDOM**.



Equites listed on the Johannesburg Stock Exchange on 18 June 2014 with a portfolio value of **R1 BILLION** and has since grown to a **PORTFOLIO** value of **R25.7 BILLION** at 28 February 2022, with approximately **40%** of the asset base being in the **UNITED KINGDOM**. The Group continues to grow its portfolio through a significant pipeline of development and acquisition opportunities. Equites is SA's only listed, exclusively logistics-focused REIT on the JSE to provide shareholders with pure exposure to prime logistics assets.

### OUR STRATEGY

Demand for prime logistics space showed no signs of abating, resulting in the year ended 28 February 2022 being the most active year in Equites' history. The past twelve months were marred by supply chain disruptions and pandemic-related troubles which continued to compel the evolution of resilient supply chains. At the same time, the fierce competition in the online retail market bolstered tenant demand for warehousing space.

Equites continues to capitalise on the favourable market conditions in both markets in which it operates. In the UK, Equites is unlocking value through the relationship with Newlands Property Developments LLP ("Newlands"), allowing Equites to build scale in the top-end of the logistics property market at a discount to open market values. The potential pipeline of development opportunities is estimated to be c. £1 billion (ZAR 20 billion) over the next five years.

In SA, Equites focuses on acquiring and developing world-class logistics facilities tenanted by quality tenants on long-term leases. The Group is currently working on development projects which will add c. 250 000m<sup>2</sup> of A-grade warehousing space to the portfolio over the next 18 months. In addition to these projects, Equites is in advanced stages of securing further development agreements, which could add another 160 000m<sup>2</sup> to the SA portfolio over the next two years, affording the Group to continue curating a modern, sustainable and high-quality logistics portfolio in SA.

### OUR TEAM

Equites' team grew by 29% during the year and has a largely transformed workforce of 40 permanent employees, situated in the Western Cape and Gauteng, managing 67 income-producing properties and ongoing developments located in SA and the UK. The growth in the staff compliment is primarily due to increased operational requirements as well as the appointment of an internal auditor and ESG officer to enhance the Group's commitment to sustainability and governance. Furthermore, the Group continues to encourage gender and racial diversity with 50% of the staff compliment being female and 65% black.

The pictures alongside include both permanent employees and interns



EQUITES PARK - MEADOWVIEW, GAUTENG



**AKUA  
KORANTENG**



**ANDREA  
TAVERNA-TURISAN**



**BELINDA  
ORTMAN-LEBONA**



**CHRIS  
VAN ZYL**



**EARL  
WOLDSON**



**ELGRECO  
LUTCHMAN**



**ESETU  
NDLWANA**



**GRACE  
KABULU**



**GUSTAV  
FICHARDT**



**IRSHAAD  
WADVALLA**



**JADE  
MCFARLANE**



**JAUN  
KNOESEN**



**JUSTIN  
SNITCHER**



**LAILA  
RAZACK**



**KEVIN  
SIKWEZA**



**LLOYD  
ZACHARIAS**



**LORENCIA  
RANALA**



**MANDLA  
MGCINWA**



**MELANIE  
BROWN**



**MMATEBOGO  
MAGOPANE**



**MONIQUE  
KARATING**



**MPIILO  
NTULI**



**MPUMELELO  
AYIREBI**



**NASREEN  
MUKUDDM**



**NOMBONGO  
MAGWA**



**NOMSA  
JAMANI**



**OLIVIA  
VELEM**



**RAZAAN  
ISAACS**



**RIAAN  
GOUS**



**RODRIQUEZ  
ROBERTSON**



**SHERWYN  
PON**



**SHIRLEY  
WOLMARANS**



**STEVEN  
PIHA**



**TANYETTE  
CHETTY**



**TODD  
PETERSEN**



**TRISTAN  
FERNANDES**



**WARREN  
DOUGLAS**



**WOUTER  
HANEKOM**



**WYNAND  
SMIT**



**ZANTELLI  
KREUGER**



**ZIYANDA  
MKHWANE**

# ORGANISATIONAL HIGHLIGHTS

## UK PORTFOLIO

The UK income-producing portfolio consists of 11 properties let to blue-chip tenants, which include DHL, Tesco, Amazon and Puma. The portfolio increased by 13% in value during FY22, resulting in a geared total return on equity of 25%, in sterling. The portfolio has predominately been developed over the last six years, meeting modern logistics warehousing requirements. Due to record levels of market rental growth over the last two years (in excess of 20% on a national level), the portfolio is significantly under-rented.

## ORGANISATIONAL HIGHLIGHTS (UK)

# 13.6 WALE

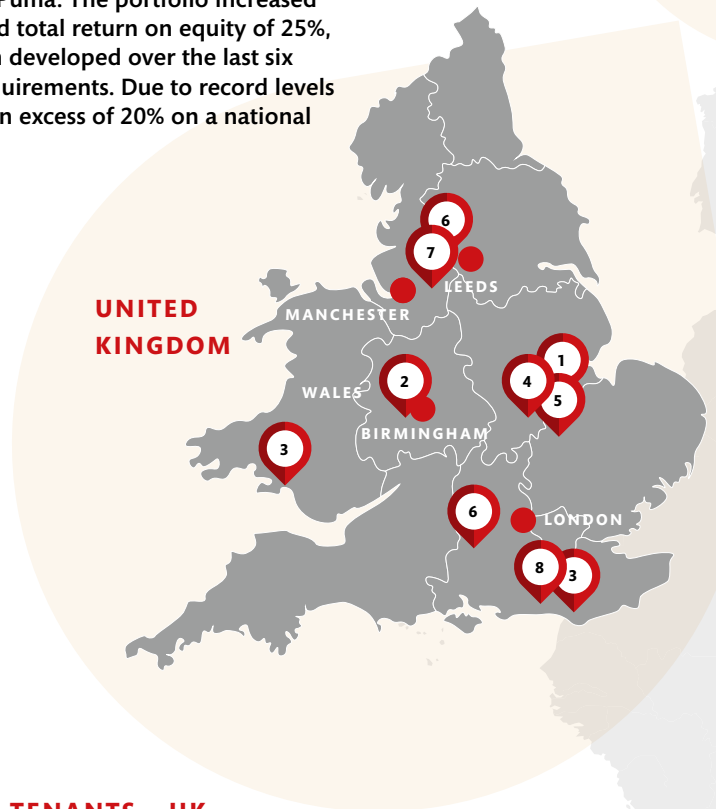
OF PORTFOLIO  
(IN YEARS TO EXPIRY)

# £487M

PORTFOLIO  
VALUE

# 1.7M

SQUARE  
FEET GLA



### KEY TENANTS - UK

<p>1</p> <p>amazon</p> <p>■ PETERBOROUGH</p>	<p>2</p> <p>TESCO</p> <p>■ HINCKLEY</p>	<p>3</p> <p>dpd</p> <p>■ BURGESS HILL ■ SWANSEA</p>	<p>4</p> <p>DSV</p> <p>■ PETERBOROUGH</p>
<p>5</p> <p>XPOLogistics</p> <p>■ PETERBOROUGH</p>	<p>6</p> <p>DHL</p> <p>■ READING ■ LEEDS</p>	<p>7</p> <p>PUMA</p> <p>■ WAKEFIELD</p>	<p>8</p> <p>Roche</p> <p>■ BURGESS HILL</p>

## SA PORTFOLIO

The Group's strategy in SA is focused on developing and acquiring modern logistics properties, which are let to blue-chip tenants on long-term leases. The SA portfolio (including land) is valued at R15.6 billion and two-thirds of the rental income is derived from Gauteng.

## ORGANISATIONAL HIGHLIGHTS (SA)

# 13.7 WALE

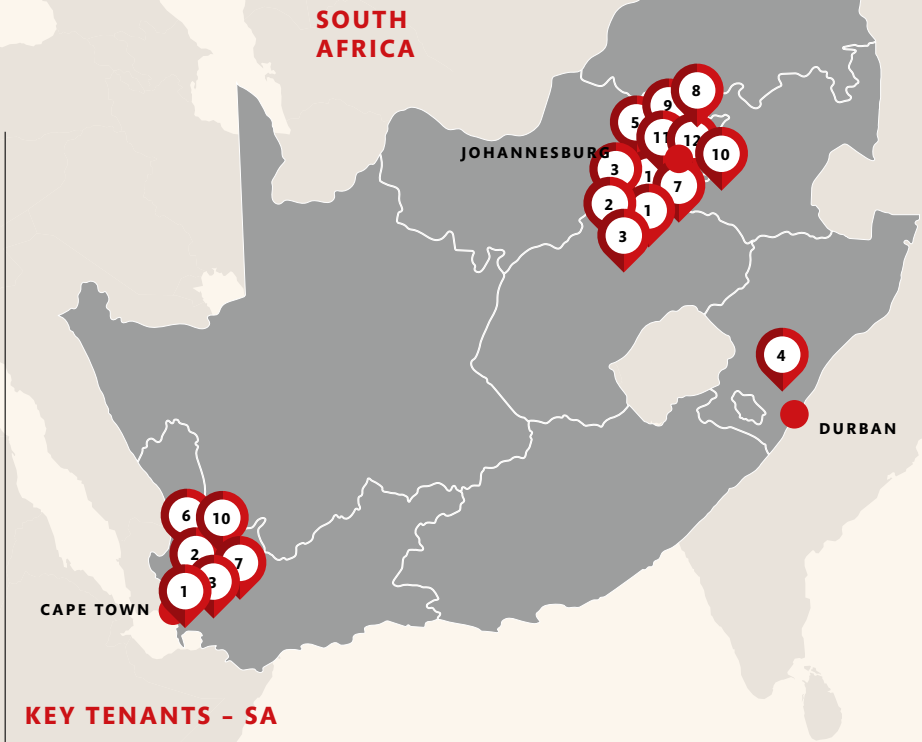
OF PORTFOLIO  
(IN YEARS TO EXPIRY)

# R15.6BN

PORTFOLIO  
VALUE

# 1.2M


SQUARE  
METRES GLA




### KEY TENANTS - SA

<p>1</p> <ul style="list-style-type: none"> <li>MEADOWVIEW</li> <li>WITFONTEIN</li> <li>PHILIPPI</li> </ul>	<p>2</p> <ul style="list-style-type: none"> <li>CENTURION</li> <li>BRACKENFELL</li> </ul>	<p>3</p> <ul style="list-style-type: none"> <li>MEADOWVIEW</li> <li>BELLVILLE</li> <li>MIDRAND</li> </ul>	<p>4</p> <ul style="list-style-type: none"> <li>PINETOWN</li> </ul>
<p>5</p> <ul style="list-style-type: none"> <li>PAROW</li> </ul>	<p>6</p> <ul style="list-style-type: none"> <li>ATLANTIC HILLS</li> </ul>	<p>7</p> <ul style="list-style-type: none"> <li>PAROW</li> <li>RIVERFIELDS</li> </ul>	<p>8</p> <ul style="list-style-type: none"> <li>LONGMEADOW</li> </ul>
<p>9</p> <ul style="list-style-type: none"> <li>MIDRAND</li> </ul>	<p>10</p> <ul style="list-style-type: none"> <li>PAROW</li> <li>GERMISTON</li> </ul>	<p>11</p> <ul style="list-style-type: none"> <li>MEADOWVIEW</li> </ul>	<p>12</p> <ul style="list-style-type: none"> <li>AIRPORT INDUSTRIA</li> <li>MEADOWVIEW</li> </ul>


## DATA SNAPSHOT

**5.2%**   
**IN DPS**  
 DPS INCREASED  
 TO 162.99 CENTS

**13.7**  
**YEARS**  
 WALE ACROSS  
 THE PORTFOLIO

**33%**   
 IN PORTFOLIO  
 VALUE FROM  
 R19.3BN TO  
 R25.7BN  
 EQUATING TO  
 1.4M M<sup>2</sup> OF GLA

**17.3%**  
**TOTAL  
 RETURN**  
 DISTRIBUTION  
 YIELD ON NAV +  
 GROWTH IN NAV

**7.9%**   
**IN NAV  
 PER  
 SHARE**  
 NAV PER SHARE  
 INCREASED TO  
 R18.61

**31.5%**  
 LTV RATIO



# CHAIRMAN'S REPORT



**LEON CAMPHER**  
CHAIRPERSON

**This year's Chairman's Report is set against the backdrop of another impressive set of financial results and Equites continuing to execute its vision of delivering sustainable shareholder value. Given the latest set of results, Equites has maintained the trend of achieving its financial targets every single year since listing.**

## FINANCIAL RESULTS

The Group grew DPS by 5.2% compared to the previous financial year and increased the value of its property portfolio of quality assets by 33% to R25.7 billion from R19.3 billion in FY21.

NAV per share has grown from R17.25 on 28 February 2021, to R18.61 as at 28 February 2022. This has been supported by growth in property values, while shareholders have also seen return in the form of distribution growth.

The growth in NAV is in line with the overarching principle of creating long-term shareholder value rather than a pursuit of short-term transient gains and we continue to make investment decisions in line with this principle. The demand for our equity has also remained strong, with the Company successfully raising R2.7 billion through two over-subscribed accelerated bookbuilds and successful dividend re-investment programs.

The results presented in this report were achieved as a result of the Group having, and continuously pursuing, a clearly defined vision and strategy, a harmonious alignment of interests between the Group, its Board of Directors ("Board") and Shareholders, and the ability of the executive directors to continuously conclude significant transactions, which meet the Group's stringent investment criteria.

## SUSTAINABILITY

Equites has demonstrated a continued focus on ESG during this reporting period. The most notable initiatives implemented are as follows:

- Equites concluded the first green loan in the African real estate sector with RMB for R225 million for the construction of two high specification IFC EDGE (Excellence in Design for Greater Efficiencies) certified green buildings in Meadowview, a sought-after industrial node;
- Equites concluded a R2 billion debt, refinance, and upsize package with Standard Bank which comprised of an R800 million three-year sustainability-linked unsecured bond, a £50 million two-year sustainability-linked loan (including a £25 million upsize), and a R221 million three-year loan. The deal is the first pound sterling denominated sustainability-linked loan in the SA REIT sector and the first GBP denominated loan in SA with sustainability-linked features;
- To demonstrate our commitment, we have appointed an ESG Officer to further improve our ESG efforts;
- Having adopted the framework of the Task Force on Climate-related Financial Disclosure ("TCFD") in FY21, Equites has incorporated various elements of the TCFD into its internal processes and has presented its inaugural climate-related disclosure in this Integrated Report. We consider this to be an on-going and evolving journey and future reporting will include additional recommendations such as climate-related scenario analysis;
- Equites underwent its third consecutive Sustainalytics ESG verification, which resulted in an improvement in its rating from the previous financial year. Sustainalytics is a globally recognised ESG ratings agency, which measures an organisation's exposure to industry-specific material ESG risks and how well an organisation manages those risks. Equites achieved a score of 11 in this reporting period compared to 16.9 in FY21, which represents a 35% improvement. This means that Equites' exposure to ESG risk is considered "very low". Moreover, the Risk Management score increased to 58.2 in FY22 from 35.5 in FY21, which represents a 64% improvement. This means that Equites' management of ESG Risk is considered "strong";

## CHAIRMAN'S REPORT CONTINUED

- We have completed sustainability audits of our SA portfolio and have identified key areas of interventions that will contribute to improved efficiencies on environmental metrics such as energy and water usage. These buildings were benchmarked against the EDGE green building certification standard to ensure alignment with global best practice. Equites believes that the implementation of renewable energy and better water management will result in a positive impact on our tenants through reduced utility costs, lower carbon emissions as well as all of the other benefits that come with the occupation of a green building in respect of their individual sustainability objectives; and
- The Group has continued to prioritize transformation as a critical success factor. Equites has achieved a level 3 B-BBEE score for 2021 and has a transformed share register with verified black ownership of 66.1%. This is an improvement from the level 4 B-BBEE score and verified black ownership of 51% achieved in the previous reporting period. Transformation remains a key focus area and we will target further improvements.

### GOVERNANCE

In line with King IV, Equites believes that effective corporate governance and comprehensive disclosure serve the long-term interests of the Group and all its stakeholders.

As reported last year, the Company undertook several important initiatives to improve its corporate governance practices. These included, *inter alia*:

- The appointment of Doug Murray, Cindy Hess-Robertson and Ndabezinhle Mkhize as three additional independent non-executive directors;
- The appointment of Eunice Cross as the chairperson of the social, ethics and transformation committee in place of Giancarlo Lanfranchi, who retired by rotation from the Board at the 2021 AGM;
- The appointment of Todd Petersen as Company Secretary from 1 October 2021; and
- The refinement of the delegation-of-authority policy.

Board succession planning and the independence of long-serving directors remains an important consideration for the Board. In this regard, the Board has reiterated to Shareholders that the Company will adhere to the 9-year tenure principle enunciated in King IV. In keeping with this commitment, Giancarlo Lanfranchi and Kevin Dreyer both retired by rotation and did not stand for re-election at the 2021 AGM. Both directors were appointed on the initial listing.

The Nomination Committee and the Board will continue to monitor the succession planning and the independence of the Board and, in doing so, adhere to the guidelines in King IV. Further changes to the Board can therefore be expected over the next couple of years to address this aspect.

The appointment of Doug Murray as an independent non-executive director was also confirmed at the 2021 AGM. In addition to serving on the Board, Doug will also serve on the Audit and Remuneration Committees, to which he brings a wealth of experience.

The appointments of the three non-executive directors were made in accordance with Equites' policy on the nomination of directors, and the appointments are in line with Equites' commitment to ensure that the Board enhances its independence, meets its diversity targets, and constitutes the appropriate level of skills and expertise required to successfully fulfil its duties.

In addition, Todd Petersen was appointed as Company Secretary to replace Riaan Gous. This appointment was done in line with best governance principles which recommends that an executive director should not also serve as the company secretary.

I am also pleased to report that the Risk and Capital Committee has been functioning well in light of the significant growth and increase in complexity of the business. This committee serves an important role in identifying, assessing and managing risk from a strategic, structural and operational perspective.



EQUITES PARK - RIVERFIELDS, GAUTENG



**THE DEMAND FOR OUR EQUITY HAS REMAINED STRONG, WITH THE GROUP SUCCESSFULLY RAISING R2 BILLION THROUGH TWO OVER-SUBSCRIBED ACCELERATED BOOKBUILDS.**

## CHAIRMAN'S REPORT CONTINUED

Lastly, during the reporting period, the Group established an internal audit function and employed an internal auditor. The Audit Committee approved the internal audit charter defining the function, purpose, authority and responsibility of the internal audit function. The Audit Committee will continue to assess the requirements of the internal audit function as it grows and based on the risk profile of the Group.

The Board believes that its actions demonstrate the Group's continuous commitment to implementing effective corporate governance practices to enable Equites to achieve its long-term strategic goals.

### REMUNERATION

As previously reported, a remuneration benchmarking exercise was undertaken during the course of 2021. Following this, and in anticipation of the 2021 AGM, we engaged with shareholders regarding the remuneration policy and we were grateful that the resolutions relating to the remuneration policy received overwhelming support from shareholders at the 2021 AGM.

The remuneration policy, which has been implemented in FY22, supports the achievement of the Group's strategic objectives in a fair and responsible way and is in line with our policy of rewarding sound performance.

In advance of the 2022 AGM, we will resume our engagement with shareholders regarding the remuneration policy to ensure that it is fair, reasonable and reflective of the Group's growth and development.

I wish to thank our Board and our management team for their important contribution over this past year. The effective, proactive and sustainable management of Equites has enabled the Group to navigate a challenging economic environment and our business is well-placed to continue to deliver value to shareholders. We would like to continue this path of success and the Board remains committed to growing the Group to its full potential and delivering value to shareholders.



**LEON CAMPHER**  
CHAIRMAN



## FIVE-YEAR FINANCIAL REVIEW

R'000	FEBRUARY 2022	FEBRUARY 2021	FEBRUARY 2020	FEBRUARY 2019	FEBRUARY 2018
<b>STATEMENT OF FINANCIAL POSITION</b>					
<b>ASSETS</b>					
Investment property	25 517 607	19 243 031	14 874 624	11 957 597	8 099 049
Other non-current assets	445 612	233 306	181 495	117 988	172 899
Current assets	1 776 911	1 380 862	146 706	163 182	212 447
<b>TOTAL ASSETS</b>	<b>27 740 130</b>	<b>20 857 199</b>	<b>15 202 825</b>	<b>12 238 767</b>	<b>8 484 395</b>
<b>EQUITY AND LIABILITIES</b>					
Capital and reserves	14 451 714	10 843 183	9 729 590	8 519 793	6 298 774
Non-controlling interest	3 059 872	2 166 757	40 434	149 919	109 410
<b>TOTAL EQUITY</b>	<b>17 511 586</b>	<b>13 009 940</b>	<b>9 770 024</b>	<b>8 669 712</b>	<b>6 408 184</b>
Non-current liabilities	8 540 996	6 057 147	4 864 462	3 257 432	1 906 272
Current liabilities	1 687 548	1 790 112	568 338	311 623	169 939
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>27 740 130</b>	<b>20 857 199</b>	<b>15 202 824</b>	<b>12 238 767</b>	<b>8 484 395</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
<b>PROFIT AND LOSS</b>					
Gross property revenue	1 687 571	1 185 380	993 699	766 158	573 698
Net development income	576	–	–	–	–
Other net gains / (losses)	155 207	127 341	(20 162)	(81 959)	208 343
Property and administrative costs	(318 457)	(219 995)	(169 010)	(149 797)	(121 012)
Fair value adjustments – investment property	1 168 317	(224 874)	21 764	220 212	239 546
<b>OPERATING PROFIT BEFORE FINANCING ACTIVITIES</b>	<b>2 693 214</b>	<b>867 852</b>	<b>826 291</b>	<b>754 614</b>	<b>900 575</b>
Finance costs	31 994	(287 008)	(218 529)	(70 731)	(68 765)
Finance income	14 021	17 367	6 494	3 223	24 990
<b>NET PROFIT BEFORE TAX</b>	<b>2 739 229</b>	<b>598 211</b>	<b>614 256</b>	<b>687 106</b>	<b>856 800</b>
Tax expense	(382 809)	(108 160)	76 996	28 854	34 313
<b>NET PROFIT FOR THE YEAR</b>	<b>2 356 420</b>	<b>490 051</b>	<b>691 252</b>	<b>715 960</b>	<b>891 113</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Translation of foreign operations	(19 147)	208 507	262 239	293 062	(139 049)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>2 337 273</b>	<b>698 558</b>	<b>953 491</b>	<b>1 009 022</b>	<b>752 064</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>					
Owners of the parent	2 011 765	615 996	944 431	962 918	731 139
Non-controlling interest	325 508	82 562	9 085	46 104	20 925
<b>OTHER INFORMATION</b>					
Distribution per share (cents)	162.99	155.00	151.39	138.43	123.86
Headline earnings per share (cents)	129.10	99.41	125.93	109.36	164.67
Net asset value per share (Rands)	18.61	17.25	17.55	16.92	15.36
Closing share price (Rands)	21.05	18.31	17.27	20.08	19.99
Market capitalisation (R'000)	16 346 870	11 511 782	9 575 200	10 108 609	8 195 365
Loan-to-value (%)	31.5	31.2	26.1	26.9	23.5
<b>NON-FINANCIAL INFORMATION</b>					
Number of properties	67	64	62	58	50
Total gross lettable area (m <sup>2</sup> )	1 363 900	1 146 354	700 149	643 965	444 175
Weighted average lease expiry (years)	13.7	15.4	10.2	8.9	7.9
Vacancy (%)	0.7	0.1	3.4	3.9	2.0



PLUMBAGO CAMPUS, GAUTENG



# VALUE CREATION

# CHIEF EXECUTIVE OFFICER'S REPORT



**ANDREA TAVERNA-TURISAN**  
CHIEF EXECUTIVE OFFICER

## SUSTAINED GROWTH

Logistics properties globally continue to outperform, supported by sustained demand in the tenant and investor markets.

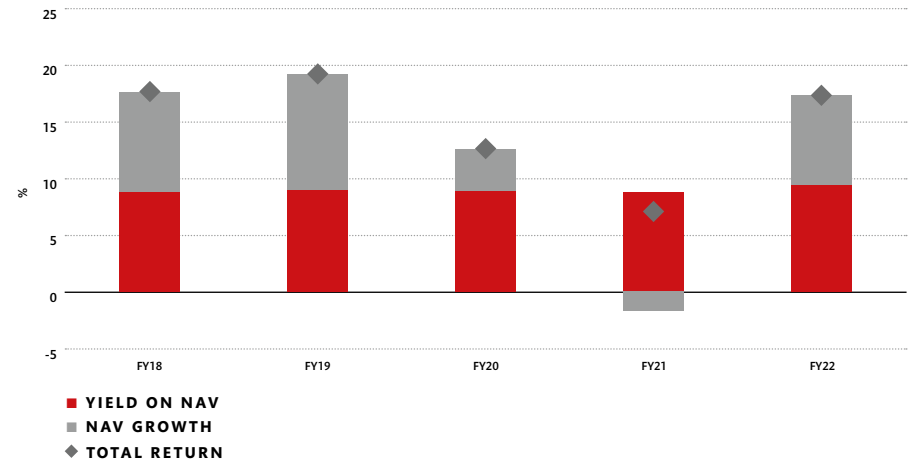
The UK market is especially strong and has set new records across all metrics, including a record low vacancy rate, a surge in market rental growth, and a significant increase in land values. Our partnership with Newlands is capitalising on this valuable opportunity where there is a significant imbalance between demand and supply in the market, which will continue to create substantial value for Equites' shareholders.

In SA, the combination of the potential pipeline of developments and rental growth expectations has created unprecedented prospects, with the national vacancy rate for A-grade warehousing at an all-time low and an increased focus on supply chain optimisation.

### THE HIGHLIGHTS OF THE YEAR UNDER REVIEW INCLUDE:

- Delivered a total return (dividends and change in NAV per share) of 17.3%, achieving its targeted double-digit total return.
- NAV per share increased by 7.9% over the financial year from R17.25 to R18.61.
- DPS increased by 5.2% to 163 cents.
- LTV ratio of 31.5%, demonstrating a conservative capital structure.
- Cash and undrawn facilities of R1.8 billion at year-end.
- Like-for-like portfolio valuations were relatively flat in SA and increased by 13% in the UK.
- As of May 2022, the SA portfolio of 1.2 million m<sup>2</sup> is fully occupied.

## TOTAL RETURNS



## DELIVERING ROBUST TOTAL RETURNS RESULTS STRENGTHENED BY A STRONG LOGISTICS PROPERTY MARKET ON A GLOBAL SCALE

Supply chain disruptions and the fierce competition in the online retail market have forced businesses to strengthen their logistics and fulfilment capabilities, resulting in prodigious demand for warehousing space.

Structural trends will drive demand for prime logistics real estate given the shift of supply chains towards operations that are larger in size (increased stock holdings in event of demand surges), faster, more resilient, technologically advanced, and closer to end-consumers to reduce delivery times and carbon emissions.

We believe that fulfilment will be the key factor that differentiates winners from losers in the increasingly competitive world of e-commerce. Fulfilment needs to be quick, efficient and economically viable, and successful retailers will be those who prioritise their supply chain capabilities.

Numerous cities are undertaking climate change initiatives that aim to reduce the number of vehicles in city centres or constrain carbon emissions, which creates further demand for delivery of goods but is impeded by a lack of warehouse space, an inability to demolish and rebuild, and an overloaded road infrastructure system.

In London, fleets will have to be zero-emission by 2025, which will result in shorter supply chains to decrease the distance of the "last mile", which is the most expensive component of the entire supply chain.

The global demand/supply imbalance is resulting in record levels of market rental growth in the logistics property sector (including EMEA, Americas and the Asia Pacific), exacerbated by planning constraints and a scarcity of land, as evidenced in both the UK and SA logistics property markets.

## JSE MARKET PERFORMANCE

Equites delivered a 24.6% total return (change in share price plus dividends) during the financial year, marginally outperforming the South African Property Sector which delivered a total return of 22.4%. This brings the total return since listing (18 June 2014) to 17.0%, on an annualised basis, significantly outperforming the sector which delivered a 1.0% annualised return over the same period.

The market capitalisation of the Group increased by 42% from R11.5 billion to R16.4 billion over the period, supported by a 15% increase in share price from R18.26 to R21.05 and equity capital raised of R2.7 billion during the period, through dividend reinvestment alternatives and two bookbuilds, which were well supported by institutional investors.



## PROPERTY FUNDAMENTALS

Our property fundamentals continue to be industry-leading across major metrics; our weighted average lease expiry (WALE) is 13.7 years, 97.2% of income is derived from A-grade tenants and the SA portfolio is fully occupied as of 1 May 2022. Except for an ancillary unit of 1 104m<sup>2</sup>, the UK portfolio is also fully occupied. This brings the overall portfolio to an occupancy rate of 99.9%, which demonstrates the demand for our properties in both jurisdictions.

## SA PROPERTY MARKET

The logistics property market continued to be one of the top-performing property sectors in South Africa, as numerous occupiers increased their focus on supply chain optimisation.

Technology and Artificial Intelligence ("AI") are now playing a greater role in modern warehouses, requiring scale to justify the capital expenditure. We believe this trend will continue to support the demand for big-box warehouses and distribution campuses.

Consequently, we see the continuation of the imbalance of demand over supply in the top-end of the SA logistics property market, evident from a record-low vacancy rate. To date, the robust demand in the market was supported by new developments on large tracts of land in Cape Town, Johannesburg and Durban. However, securing land for large-scale developments (greater than 40 000m<sup>2</sup>) is now proving to be significantly more difficult to source in key logistics nodes.

The structural shift in the supply chain models of major retailers to hold more stock at a warehouse level and less at a retail store level is a further factor driving the demand for warehousing space.

The lack of suitable land, an increase in construction cost inflation and a record-low vacancy rate should bode well for market rental growth in SA over the medium term.

In the context of our business, Equites is currently marketing new developments at rentals that are between 15% and 30% higher compared to rentals marketed in 2021, which will create evidence of market rental growth upon finalisation of lease agreements with tenants.

We remain of the view that supply chain optimisation, which includes a focus on resilient

supply chain networks, is the key factor driving demand for warehousing space in South Africa.

The growth in e-commerce does not yet appear to influence real estate decisions. We believe a tipping point will be reached when online sales begin to exceed 10% of total retail sales, which will then drive a rapid increase in occupational demand for warehousing space.

## UK PROPERTY MARKET

The UK logistics market has broken all records during 2021, including the take-up of warehousing space, market rental growth, record low acquisition yields, the lowest ever-recorded vacancy rate, the highest growth in land values, and the largest transactional volumes.

The key driver of the exceptional performance of the UK logistics property market is the immense demand in the occupier market, as take-up reached a new annual record of 55.1 million sq. ft (5.1 million m<sup>2</sup>) in 2021, 7% higher than a strong 2020 and 86% higher than the long-term average. Although dedicated internet retailers and logistics operators accounted for 50% of the take-up, the other 50% was broad-based, ranging from fashion, food and homeware to manufacturing businesses.

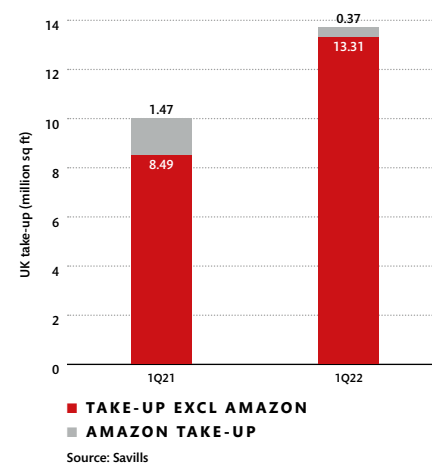
Construction inflation is currently being passed on to tenants through higher rentals, as demand continues to outstrip supply. Market rental growth is expected to be 12% in 2022 on a national level according to Gerald Eve, which bodes well for Equites' UK property valuations over the next financial year.

In our core UK portfolio of £300 million (R6.0 billion), we estimate that market rentals are at least 25% higher compared with current passing rentals, supporting embedded growth in our earnings, which will be unlocked as each property reaches its five-year rent review cycle over the next few years.

Subsequent to year-end, Amazon stated that they currently hold excess warehousing space in some of their key markets. The announcement resulted in a 15% to 20% slump in the share price of logistics-focused property companies globally, driven by the belief that some companies may have invested in too much warehousing space during Covid-19. In the UK logistics market, we expect take-up for modern facilities to continue, due to the following key reasons:

- Take-up is broad-based.** To put things in perspective, the take-up of space in Q1 2021 was 10 million square feet, which grew to over 14 million square feet in Q1 2022, with Amazon only accounting for 2.7% (1Q21: 14.8%) of the total space that was transacted during 1Q 2022. Based on these numbers, Amazon's take-up declined by 75%, whilst the rest of the market's take-up increased by 57%. The strong take-up, seen against a record-low national vacancy rate, implies the UK market remains under-supplied in terms of warehousing space.
- Covid-19 and Brexit.** These two events are dismantling the traditional model of just-in-time and are evolving into just-in-case, which will continue to structurally change the warehousing market in the UK. This is supported by reshoring (bringing manufacturing back to the UK) and a focus on resilient supply chains (shorter supply chains and higher inventory levels).
- Sustainability.** Newlands Developments, in partnership with Avison Young, estimated that 80% of the total stock of industrial space in the UK was developed in the 20th century. The fact that such a high proportion of logistics facilities are outdated has caused industry-wide concerns regarding environmental performance and suitability. We believe Equites Newlands Group Limited ("ENGL") will be a large beneficiary of the demand for new builds, where modern and sustainable facilities will be a key priority for all businesses operating in the UK logistics market.

## UK TAKE-UP INCREASED BY 57% YOY, EXCLUDING AMAZON



## CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

### PIPELINE IN SA

The Group continues to execute on attractive opportunities in the top-end of the South African logistics property market.

The key transaction which the Group completed during the financial year was the acquisition of the DSV Campus in Gauteng for R2.05 billion, in partnership with Eskom Pension and Provident Fund ("EPPF"). This acquisition presented a compelling investment case, and the partnership unlocked an alternative source of equity for further expansion. Equites further enhanced the quality of the portfolio through developments, completing a state-of-the-art logistics campus let to Sandvik Mining RSA in Gauteng with a capital value of R317 million.

Developments currently under construction will add a further 110 000m<sup>2</sup> to the portfolio with a capital value of R1.1 billion, during the next financial period.

Over and above the ongoing developments, the pipeline of development opportunities has increased substantially. Numerous large multinational and national tenants are expanding their distribution footprint across SA, with consolidation and resilient supply chains driving the decision making.

Equites have recently reached an agreement with TFG to develop a new 50 000m<sup>2</sup> world-class distribution facility in Witfontein, Gauteng. The Group also recently agreed terms with another national retailer to develop an 85 000m<sup>2</sup> modern logistics warehouse on the remainder of the site in Witfontein, with a total capital value of R1 billion. These development agreements are testament to Equites' ability to unlock the value embedded in these land parcels.

In addition to the development agreements outlined above, Equites is currently in the final stages of negotiating the terms and conditions of five new developments across SA, which is estimated to add a further 160 000m<sup>2</sup> of prime logistics space to the portfolio over the next two years, with a combined capital expenditure in excess of R1.8 billion.

Our view is that South Africa is severely under-warehoused, and retailers and logistics companies will continue to expand their warehousing footprint to strengthen their supply chain capabilities.

### PIPELINE IN THE UK

The investment landscape in the UK logistics property market continues to be frenetic, as the weight of capital chasing investment opportunities compressed initial yields to record levels – now at 3.25%.

Equites' decision to partner with Newlands Developments, a best-in-class development team, allows Equites to expand in the premium sector of the UK logistics market at a discount to open market values, thereby meeting the required hurdle rates.

Equites has embarked on a hybrid strategy of concluding pre-let development agreements with blue-chip tenants on long-term leases – which Equites will retain as long-term investments – as well as turnkey development agreements for third parties (including land sale agreements), which will crystallise profits, support growth in NAV per share and generate capital internally for further investments.

Equites estimates that the value of the total potential pipeline of opportunities through the Newlands venture will be more than £1 billion (R20 billion) over the next five years and could total £3 billion (R60 billion) over the next decade.

To this end, the ENGL Group entered three transactions which form part of our Trading Properties segment, effectively unlocking the full value of our land holdings in Barnsley and Basingstoke. The total after-tax profits generated from these three transactions are forecast to be more than R700 million, which will be reinvested in the UK pipeline of investment opportunities.

### THE UTILISATION OF LAND HOLDINGS

At the start of the year Equites held 112 hectares of land, which reduced to 93 hectares as of February 2022, driven by developments in Lords View, Jet Park, Saxdowne and a land disposal in KZN. The Group has further earmarked 66 hectares of land for near-term developments, with two large-scale developments at Witfontein utilising 43 hectares of land. We expect current SA land available for further development to decrease to 27 hectares, which will equate to R300m to R400m – only 1% to 2% of the overall portfolio.

This demonstrated that the Group utilised 75% of its land holdings in SA over two years.



EQUITES PARK - RIVERFIELDS, GAUTENG



**THE GROUP CONTINUES  
TO EXECUTE ON  
ATTRACTIVE  
OPPORTUNITIES IN  
THE TOP-END OF THE  
SA LOGISTICS PROPERTY  
MARKET.**

## CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

### STRATEGIC TENANT RELATIONSHIPS

Tenant relationships are the cornerstone of the growth of our business, as we become a trusted developer of choice specialising in the premium end of the logistics property market.

There are many examples of how our relationships with tenants resulted in repeat business, with TFG being a prime example. Equites developed a modern distribution facility of 22 000m<sup>2</sup> for the retailer in 2016, and Equites is now extending this facility by more than 16 000m<sup>2</sup>. Furthermore, Equites finalised an agreement with the retailer to develop a world-class warehouse in Witfontein with a capital value of R550 million, with the potential to extend this facility from 50 000m<sup>2</sup> to over 90 000m<sup>2</sup> over the medium term. Due to the relationship with TFG as a tenant, Equites had a deep understanding of the client's warehousing requirements and supply chain ambitions, which underscored the success of our submission that formed part of an open bidding process.

Another example is the partnership entered into with Shoprite at the end of 2020, where we created a partnership with the retailer (Retail Logistics Fund) – rather than a once-off transaction – which we believe will create significant development opportunities for Equites in the medium term.

The tenant-driven approach of Equites creates a solid foundation for building trust with clients, transforming once-off development projects or deals into long-term mutually beneficial relationships.

### SUSTAINABILITY

Equites made significant strides towards its ESG framework and implementation thereof, which included the appointment of a dedicated ESG officer.

Equites avoided 6,101 tCO<sub>2</sub>e greenhouse gas emissions through solar PV installations during the financial year, and all Equites' new builds will continue to be rated by both the Green Building Council South Africa (GBCSA) and EDGE in South Africa and BREEAM in the UK.

Equites will continue to be a beneficiary of the global shift towards ESG, as the type of product that Equites develops and owns supports the sustainability requirements of multinational and national companies in SA and the UK.

### PROSPECTS

Given the attractive pipeline of development opportunities in SA and the UK, a high percentage of A-grade tenants with a WALE of 13.7 years, a strong capital structure with an LTV ratio of 31.5%, and various sources of capital, the Group is well-positioned to capitalise on a strong underlying logistics property market.

We are of the view that the interest rate cycle and construction cost inflation will further drive rental growth, in both markets where we operate.

Equites is guiding between 4% and 6% distribution growth per share for the next financial year. Management is also expecting positive net asset value per share growth for FY23, predominantly supported by the development pipeline within the Newlands JV, and therefore forecasts a total return of between 15% and 20% for FY23.

### ACKNOWLEDGEMENTS

I want to take this opportunity to express my gratitude to the Chairman and the Board for their support, guidance and advice.

A big thank you to all our business partners for their support.

Finally, I also want to thank my fellow executives, Riaan Gous and Laila Razack, and all employees, for all their hard work and dedication.



**ANDREA TAVERNA-TURISAN**  
CHIEF EXECUTIVE OFFICER











# THE TENANT-DRIVEN APPROACH OF EQUITES CREATES A STRONG FOUNDATION FOR BUILDING TRUST WITH OUR CLIENTS.

# HOW WE CREATE VALUE

## INPUTS

<b>FINANCIAL CAPITAL</b>	 <ul style="list-style-type: none"> <li>▪ OPTIMAL DEBT AND EQUITY MIX</li> <li>▪ DIVERSIFIED SOURCES OF FINANCE</li> <li>▪ STRONG LIQUIDITY</li> <li>▪ PHASED DEBT MATURITY PROFILE</li> <li>▪ PUNCTILIOUS MANAGEMENT OF FINANCIAL RISKS</li> </ul>
<b>MANUFACTURED CAPITAL</b>	 <ul style="list-style-type: none"> <li>▪ HIGH-QUALITY LOGISTICS FACILITIES</li> <li>▪ STATE-OF-THE-ART PRE-LET DEVELOPMENTS</li> <li>▪ HEALTHY DEVELOPMENT PIPELINE IN SA AND THE UK</li> <li>▪ SUSTAINABILITY AUDITS PERFORMED ON EXISTING PORTFOLIO</li> </ul>
<b>HUMAN CAPITAL</b>	 <ul style="list-style-type: none"> <li>▪ WEALTH OF EXPERIENCE IN LOGISTICS</li> <li>▪ ESTABLISHED PROPERTY SKILL SETS</li> <li>▪ STRONG ANALYTICAL ABILITY</li> <li>▪ FOCUSED AND COLLABORATIVE TEAM MORALE</li> <li>▪ PROMOTE CONTINUOUS TRAINING AND EDUCATION</li> </ul>
<b>SOCIAL AND RELATIONSHIP CAPITAL</b>	 <ul style="list-style-type: none"> <li>▪ STAKEHOLDER ENGAGEMENTS</li> <li>▪ DEEP-ROOTED TRUST</li> <li>▪ REPUTATION AS AN INDUSTRY LEADER</li> <li>▪ BE A SOCIALLY RESPONSIBLE CORPORATE CITIZEN</li> </ul>
<b>INTELLECTUAL CAPITAL</b>	 <ul style="list-style-type: none"> <li>▪ ROBUST CULTURE OF CORPORATE GOVERNANCE</li> <li>▪ STRONG ETHICAL FOUNDATION AND VALUES</li> <li>▪ INFORMATION TECHNOLOGY SOLUTIONS</li> <li>▪ SYSTEM INTEGRATIONS</li> </ul>
<b>NATURAL CAPITAL</b>	 <ul style="list-style-type: none"> <li>▪ LAND UNDER MANAGEMENT IN STRATEGIC LOCATIONS</li> <li>▪ FOCUS ON ECOSYSTEM SERVICES</li> <li>▪ ENHANCED WATER USE PRACTICES</li> <li>▪ INCORPORATION OF RENEWABLE ENERGY</li> </ul>

## BUSINESS ACTIVITIES



### ACQUISITION OF VACANT LAND

We aim to hold land strategically in key logistic nodes to enable us to readily serve existing and new tenants. With our focus being on high-quality A-grade tenants situated in key logistic areas of SA and the UK, we aim to offer solutions to improve the supply chain of our tenants and bring about efficiencies to their operations.



### DEVELOPMENTS

Our focus is on constructing high quality, environmentally conscious buildings that are both functionally designed and aesthetically pleasing. We apply a strict baseline specification which is inspired by global best practice and this remains one of our competitive advantages. We pride ourselves on being a sector specialist in SA, and we are able to provide valuable insights and recommendations to our clients' warehousing and supply chain requirements.

# OUTCOMES



## ACQUISITION OF TENANTED PROPERTY

Through comprehensive feasibilities and due diligence procedures, we identify strategic acquisition opportunities and ventures to add to our world-class portfolio.

- TOTAL RETURN (DIVIDENDS PLUS CHANGE IN NAV) OF 17.3%
- LTV RATIO OF 31.5%
- CREDIT RATING UPGRADE TO AA<sup>-</sup>(ZA)
- R2 BILLION OF EQUITY RAISED THROUGH BOOKBUILDS
- FIRST PUBLIC DEBT AUCTION RAISING R1 BILLION
- CASH AND UNDRAWN BORROWING FACILITIES OF R1.8 BILLION

- OUR PORTFOLIO VALUE INCREASED TO R25.7 BILLION, UP 33.1%
- COMPLETED SIX DEVELOPMENTS IN TOTAL ACROSS SA AND THE UK
- ACQUIRED THREE LOGISTICS ASSETS AT R2.5 BILLION
- 0.7% VACANCY
- 100% OF INCOME-PRODUCING ASSETS EXTERNALLY VALUED
- WALE OF 13.7 YEARS



## PROPERTY MANAGEMENT

The proactive and effective management of our property portfolio is one of our core proficiencies. Through our constant tenant engagement, we seek ways to improve the premises, introduce sustainable solutions and to enable them to use the property optimally to meet their business needs. We walk alongside our tenants in their journey, thereby building trusted-longstanding relationships with them.

- CONTINUED DEVELOPMENT THROUGH TRAINING AND EDUCATION
- INCREASED WORKFORCE BY 29.0%
- EXTREMELY LOW STAFF TURNOVER
- ENCOURAGE DIVERSITY WITH 50% FEMALE EMPLOYEES AND 65% BLACK EMPLOYEES

- SUSTAINED INVESTOR CONFIDENCE
- MAINTAINED OUR POSITION IN THE INDUSTRY AS LEADERS IN LOGISTICS
- NEW DEVELOPMENT OPPORTUNITIES UNDERTAKEN FROM EXISTING TENANT RELATIONSHIPS
- FILLED VACANCIES ON OUR EXISTING PROPERTIES
- JOB CREATION AND SOCIAL UPLIFTMENT WITHIN OUR COMMUNITIES

- INCREASED INFORMATION TECHNOLOGY SOLUTIONS AND INTEGRATIONS
- CLOUD-BASED SOLUTIONS EMPLOYED
- STRONG CORPORATE GOVERNANCE PRINCIPLES
- DRIVE TOWARDS PAPERLESS OPERATIONS
- STREAMLINED PROCESSES

- HIGHER DEMAND FOR WELL-LOCATED SUSTAINABLE DEVELOPMENTS
- EDGE AND BREEAM GREEN BUILDING CERTIFICATION ON ALL NEW DEVELOPMENTS
- WORLD-CLASS BASELINE SPECIFICATIONS APPLIED TO BUILDS
- EFFICIENT AND SUSTAINABLE USE OF MATERIALS
- INCREASED LONGEVITY AND LOW ON-GOING MAINTENANCE



## FINANCIAL CAPITAL

### HIGHLIGHTS

- Growth in distribution per share of 5.2%
- Increase in NAV per share of 7.9%
- Total return of 17.3% for the year
- LTV at 28 February 2022 of 31.5%
- GCR credit rating upgrade to AA<sup>-</sup>(ZA)
- R1.8 billion of cash and available facilities at year end
- Like-for-like portfolio valuation relatively flat in SA and increased by 13% in the UK (in sterling)
- As of May 2022, the SA portfolio of 1.2 million m<sup>2</sup> had a zero-vacancy rate

Equites employs a conservative financial risk management policy, which significantly supported the Group's financial performance during the year. This LTV ratio of 31.5% demonstrates the prudent approach of the Group to maintain a conservative capital structure.

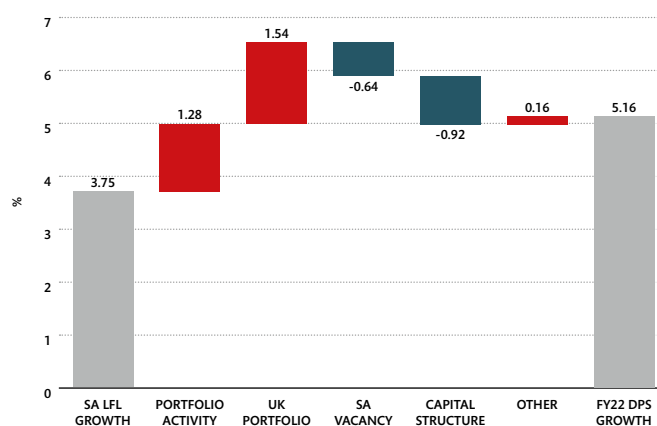
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### DISTRIBUTION PER SHARE

**DPS FOR THE GROUP GREW BY 5.16% TO 162.99 CENTS, ON THE BACK OF STRONG GROWTH IN LIKE-FOR-LIKE NET RENTAL INCOME IN SA WITH PORTFOLIO ACTIVITY IN SA AND THE UK CONTRIBUTING 1.28% AND 1.54% RESPECTIVELY. THESE RESULTS, COMBINED WITH NO TENANT DEFAULTS AND A LIMITED NUMBER OF LEASE EXPIRIES, EMPHASISE THE STRENGTH OF THE EQUITES PORTFOLIO.**

- LFL net rental growth in the SA portfolio of 6.2% contributed 3.75% to DPS growth, a function of the robust in-force contractual lease escalation rate.
- SA developments and acquisitions contributed 1.28% to DPS growth.
- The UK portfolio contributed 1.54% to DPS growth.
- A temporary vacancy in the SA portfolio detracted growth by 0.64%. The property has subsequently been let to a national tenant on a five-year lease.
- Equity capital was raised at a slightly higher yield compared to the reinvestment rate during the period, detracting 0.92% DPS growth.

#### FY22 DPS BRIDGE

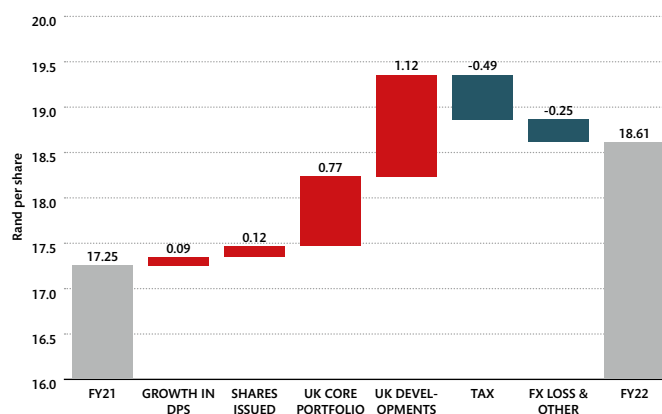


### NET ASSET VALUE PER SHARE

**NAV PER SHARE INCREASED FROM R17.25 ON 28 FEBRUARY 2021 TO R18.61 AT 28 FEBRUARY 2022, REWARDING INVESTORS WITH GROWTH OF 7.9%. THE GROUP'S UK PORTFOLIO WAS THE MAIN DRIVER OF THIS GROWTH, WITH BOTH GROWTH ON THE EXISTING PORTFOLIO AND NEW DEVELOPMENTS BEING PARTLY OFFSET BY THE RECOGNITION OF UK DEFERRED TAX LIABILITIES. THE UK AND SA PORTFOLIOS WERE BOTH VALUED INDEPENDENTLY.**

- The UK portfolio's value increased by 13% on a like-for-like basis in pounds sterling. The increase in value was a combination of an increase in market rentals as well as a compression of prime distribution yields. The UK portfolio was independently valued.
- UK developments contributed to 6.4% growth in NAV per share. The growth was driven by the completion of the Amazon facility in Peterborough, progress on the Hermes development in Barnsley, and a fair value adjustment on land in Milton Keynes.
- Tax expenses relating to the fair value uplift on the UK portfolio as well as UK developments amounted to R383 million, reducing NAV per share growth by 2.8%.

#### FY22 NAV BRIDGE



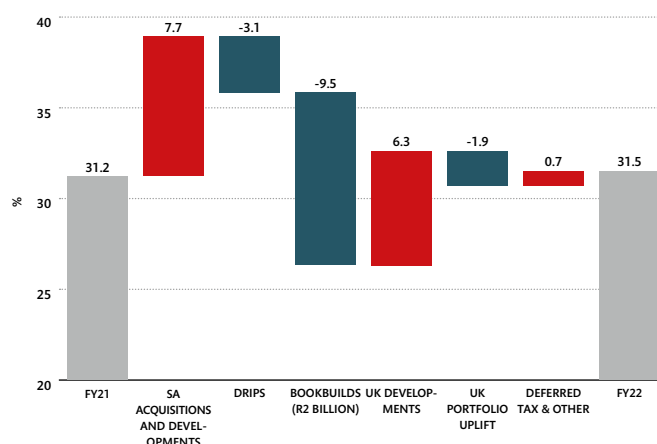


## LOAN-TO-VALUE RATIO

**THE GROUP'S LTV RATIO WAS 31.5% AT 28 FEBRUARY 2022, DEMONSTRATING A STRONG CAPITAL STRUCTURE. THE FOLLOWING FACTORS IMPACTED THE LTV RATIO DURING THE FINANCIAL YEAR:**

- Equites invested R4.3 billion in the development and acquisition pipelines in SA and the UK, which had a 14% increase in the LTV ratio.
- The retention of capital from two dividend reinvestment programmes (R700 million) decreased the LTV ratio by 3.1%.
- Equites successfully raised R2 billion in capital through two accelerated bookbuilds, which was well supported by institutional investors, resulting in both capital raises being oversubscribed. As a consequence, the LTV ratio decreased by 9.5%.
- Loans and borrowings increased from R6.8 billion at February 2021 to R9.0 billion, in line with growth in the portfolio of 33%.

**FY22 LTV RATIO BRIDGE**



## DEBT FINANCING

- The Group entered into the first green loan in the African real estate sector with RMB of R225 million for the construction of two high-specification IFC EDGE (Excellence in Design for Greater Efficiencies) certified green buildings in Meadowview.
- Equites concluded a R2 billion debt, refinance, and upsize package with Standard Bank which comprised of an R800 million three-year sustainability-linked unsecured bond, a £50 million two-year sustainability-linked loan (including a £25 million upsize), and a R221 million three-year loan. The deal is the first pound sterling denominated sustainability-linked loan in the SA REIT sector and the first GBP denominated loan in SA with sustainability-linked features.
- The Group held its first public debt auction raising R1 billion in the 1-year and 3-year, with the latter being so successful that Equites became the most tightly priced DCM issuer in the market.

## INTEREST RATE HEDGING

The Group has continued to use a combination of natural hedges and derivative financial instruments to hedge exposure to interest rate risk. At 28 February 2022, 91% of the existing term loan balances were hedged for three years, thereby providing income certainty over the medium term.

The all-in effective cost of debt has increased 34 basis points to 5.59%, driven by a 32bp increase in SA following the 50bp increase in the base rate (SARB repo rate) and by 13bp in the UK following a 40bp increase in the bank lending rate (BoE base rate), with the increases primarily attributable to hedging new debt and an increase in the use of SA debt relative to UK debt.

Given the steepness of the yield curve in SA that has been prevalent for the past nine months – the curve probably being steeper than expectations of the Group for rate hikes – the Group has supplemented vanilla interest rate swaps with other interest rate derivative instruments. This has allowed the

Group to keep the all-in cost of borrowing to levels lower than would have been achieved had only vanilla interest rate swaps been entered into, whilst still providing a high level of protection no matter the extent and timing of central bank tightening of monetary policy. A sensitivity analysis indicates that the South African all-in cost of debt for existing debt will rise by approximately 14-18bp for each 50bp increase in 3-month JIBAR up to 7.00%, and thereafter 21-24bp for each 50bp increase.

## EXCHANGE RATE HEDGING

The Group treasury policy defines the strategy for foreign exchange rate risk management.

## HEDGING NET INVESTMENT IN FOREIGN OPERATION

The treasury policy restricts the utilisation of CCIRS to 45% of foreign assets. This is achieved by continually monitoring exposure to foreign exchange rates as a result of the investment into the UK. In the current financial year, through the addition of GBP-denominated debt, the Group has further reduced the percentage of derivative hedging of investment into the UK, and as a result the utilisation of CCIRS has fallen to 20.6%, down from 25.2% at the prior year end.

The table shows the carrying amounts of UK assets which are currently hedged using derivative currency hedging instruments.

£'000	FEB22	FEB21	FEB20	FEB19
UK assets	521 876	366 322	318 351	213 504
GBPZAR CCS	107 500	92 447	92 447	77 447
<b>DERIVATIVE HEDGING OF FOREIGN ASSETS</b>	<b>20.6%</b>	<b>25.2%</b>	<b>29.0%</b>	<b>36.3%</b>



## FINANCIAL CAPITAL CONTINUED

### HEDGING DISTRIBUTABLE EARNINGS AND CASH FLOW RISK

Where possible, the Group utilises natural hedges to minimise exposure to fluctuations in foreign exchange rates on distributable earnings. The impact of reasonably possible changes in the GBP/ZAR exchange rate on the funds to be received from foreign operations is assessed using financial modelling and this foreign exchange exposure is hedged on a dynamic basis.

In line with the Group income hedging level policy, net income to be received over the next 24 months has been hedged as outlined in the table. The minimum weighted average exchange rate for 75% of budgeted income over the next 12 months is R21.29, ensuring that investors benefit from the certainty of UK rental income in ZAR terms.

INTEGRATED REPORT 2022

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EQUITES PROPERTY FUND LIMITED

SIX-MONTH PERIOD ENDED	EFFECTIVE HEDGING LEVEL	WEIGHTED AVERAGE FLOOR	WEIGHTED AVERAGE CAP
31 Aug 22	80.0%	R22.23/GBP	R22.73/GBP
28 Feb 23	70.0%	R20.87/GBP	R22.85/GBP
31 Aug 23	45.0%	R20.82/GBP	R22.89/GBP
29 Feb 24	30.0%	R21.00/GBP	R23.83/GBP

The Group hedging policy with respect to distributable earnings and cash flow risk is deliberately constructed to provide short-term stability in the growth in distributable earnings and to gain from the hard currency appreciation over the medium- and long-term.



EQUITES PARK - MEADOWVIEW, GAUTENG

# HUMAN CAPITAL

## HIGHLIGHTS

- 13 new hires
- Low staff turnover



**Human capital refers to the knowledge, skills, training and expertise held by individuals within the organisation. Human capital is one of the driving forces behind the Group's exceptional performance. Equites continuously engages with its people to improve employee motivation, reduce staff turnover and create an environment that enables the Group's people to reach their true potential.**

Equites is committed to hiring competent staff and retaining these talents through an inclusive work culture and continuous training and development. The Group's ability to create this environment is evidenced by the Group's growing work force combined with low staff turnover. The Group believes in internal advancements and self-development thereby encouraging internal promotions.

## EMPLOYEE COMPOSITION

Employment equity remains a key priority in the recruitment process. Whilst the Group's employment practices are centred around diversity and inclusivity, the Group also aim to place the correct skills in the correct positions. The permanent staff compliment grew by 29% with 13 additional employees hired during the year, nine of which related to new roles to meet the Group's increased operational requirements. These appointments included an ESG officer and an internal auditor to emphasise the growing importance on these two aspects within the Group and to enhance the sustainability and governance initiatives. In addition, one of these hires was Equites' first bursary recipient, through MLF. She joined as an intern in the prior year, while completing her post-graduate studies and became employed on a full-time basis within the property developments team, upon successful completion of her studies, during the year.

## EMPLOYEE COMPOSITION

	2018	2019	2020	2021	2022
 FEMALE	50%	58%	66%	65%	50%
 BLACK	55%	63%	62%	61%	65%

Equites considers racial and gender diversity in all hiring decisions. In the upcoming year, Equites will focus on improving its female composition.

## TRAINING AND DEVELOPMENT

Education is a key driver in maximising employee growth and personal development. The Group has an in-house training programme to enhance employees' knowledge of the industry, understand key trends in the sector, transfer basic skills and understanding of technical areas to non-specialists, and to advocate the use of software to provide more efficient business solutions. The training sessions are facilitated by individuals within the Group and are based on topics driven by the collective workforce. External training sessions were attended by employees in areas such as technical updates, soft skills, computer literacy and areas of governance.

The Group encourages its staff to further their education and provides funding and support services to employees who wish to study further. During the year, two employees were granted bursaries to pursue a three-year degree with an accredited tertiary institution and four employees were granted funding to complete short-courses aimed at better understanding various elements of their role and to improve their soft skills so as to enhance the service offering Equites provides tenants.

IT security continues to be a focus area with the increase in cyber-attacks globally. Employees are required to complete regular IT-related training to ensure that they are equipped to take the necessary precautionary measures to avoid exposure to IT security breaches. This includes regular phishing tests and other online training modules hosted by a third-party.

Equites has subscribed to software to effectively manage and monitor employee performance and development. This software allows employees to set goals, identify areas of improvement or skills they wish to develop, recommend training they wish to undergo and allows the employee and their line manager to monitor the progress of these items on a continuous basis. The platform also allows for employees to complete their appraisals and provide peer-to-peer and upward

feedback. Managers are able to monitor the employees performance, have regular check-ins in relation to performance, a specific project / task, mental well-being and studies (where applicable). This software was implemented in order to streamline the performance management process and to ensure that all employees receive the necessary feedback and opportunities to effectively grow and development within the organisation.

## EMPLOYEE HEALTH AND SAFETY

Over the past year, the Group continued to prioritise the health and wellbeing of the Group's people. During the year, staff returned to office on a rotation basis and sanitisers and masks were provided in office. Vaccinations of staff were strongly recommended and education regarding the vaccine, hosted by external medical professionals, was provided to all employees at the onset of the rollout. Employees have access to ICAS, an independent service provider, that provides the employees and their direct family members with unlimited free access to counsellors, legal and medical professionals to assist them through any personal difficulties they may be experiencing.

## ETHICS

During the year, Equites finalised and issued an Employee Handbook to all staff members which outlines the Group's values, code of conduct, best practices and lists all related policies. Staff were provided with internal training to ensure the employees understood the provisions of the handbook and additional e-learnings were completed by staff relating to select elements of the handbook.

Equites encourages strong ethical practices and promote a safe working environment and have provided a safe space for employees to report any suspected wrongdoing. EthicsDefender is an anonymous platform where staff, or any stakeholder, can report matters for further investigation by the Board. The executives do encourage staff to make use of the platform where they do not feel comfortable to address their concerns directly with any of the executive directors.

 **REFER TO THE SUSTAINABILITY REPORT FOR MORE INFORMATION**

# SOCIAL AND RELATIONSHIP CAPITAL

## HIGHLIGHTS

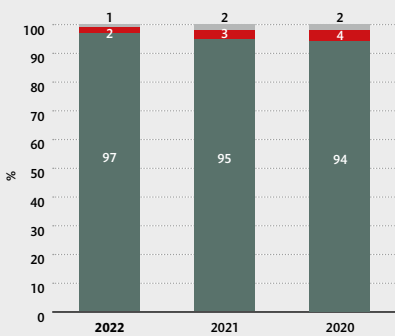
- Sustained investor confidence
- New development opportunities were undertaken stemming from existing tenant relationships
- Let all vacancies in SA
- Job creation and social upliftment within our communities

**Social and relationship capital refers to Equites’ relationship with all stakeholders. This includes human capital, tenants, financial institutions, investors, suppliers, communities in which the Group operates and broker networks. Equites’ engagement with stakeholders is paramount to achieving success and is a key driver of long-term sustainable stakeholder value.**

## TENANTS

Equites’ tenants continue to demand best in class A-grade logistics facilities that the Group develops in key logistics nodes, both in SA and the UK. The Group’s ability to work proactively with tenants to provide logistics facilities to their exacting requirements forms the foundation of the Group’s long-term success. The Group understands the impact that landlords have on businesses and engagements with tenants is prioritised so that the Group’s tenants are supported and their needs are accommodated. The Group will not compromise on tenant quality in order to achieve short term success.

## OUR TENANT PROFILE BY REVENUE FOR THE YEAR IS AS FOLLOWS:



- A LARGE NATIONAL COMPANIES, LARGE LISTED COMPANIES AND GOVERNMENT
- B SMALLER INTERNATIONAL AND NATIONAL TENANTS
- C OTHER LOCAL TENANTS AND SOLE PROPRIETORS

## FINANCIAL INSTITUTIONS

Banks and other financial institutions are regularly engaged with to provide timely access to funding at competitive rates. Entering into transactions with financial institutions is not done in isolation, generated. The Group is able to leverage its relationship with financial institutions to optimise deal structuring, promoting the best interests of investors.

## INVESTORS

Investors provide the Group with the ability to create value and deliver strong income growth from a portfolio of high-quality logistics assets through the investment of financial capital. The Group continuously engages with both existing and potential investors to understand their needs and concerns as the Group strives to enhance this symbiotic relationship. The Group regularly engages with investors through presentations, road shows and direct contact. Equites has a successful DRIP programme, enabling all investors to increase their exposure to Equites without the outlay of additional capital. Through active participation and engagement with shareholders, Equites ensures that their views and interests are engrained into the day-to-day operations. Shareholder value creation is at the centre of every decision-making process undertaken by Equites.

## SUPPLIERS

Suppliers play a pivotal role in enabling Equites to deliver an unrivalled portfolio of truly distinctive A-grade logistics facilities to tenants, as well as to ensure that the ongoing operation of these properties. As part of Equites’ stakeholder-inclusive approach to developments, contractors operating within the area of development are invited to tender for projects. Tenders are then awarded to the best suited contractors based off a rigorous tender process. As a consequence of the high standards Equites expects from its suppliers, Equites is able to stimulate and further enhance demand for logistics facilities. Equites regularly engages with suppliers to ensure an ongoing mutually beneficial relationship

## COMMUNITIES

The communities surrounding the Group’s SA development nodes are an important consideration for the development team when conducting their activities. Equites believes that assessing the needs of the community is a critical part of undergoing any development. Developers are strongly encouraged to use labour from the communities in which they are developing in, leading to community upliftment and job creation. This in turn, results in the tenant entering a community in which they have already made a difference and formed a relationship with. This community-centric approach enables Equites to not only focus on the development needs and requirements of the business but also on the betterment of the communities impacted and exposed to the Group’s operations.

## BROKER NETWORK

Equites’ professional and experienced broker network acts as an intermediary between the Group and prospective tenants in relation to fulfilling vacancies and identifying new development opportunities. This relationship, strengthened by broker events and open communication lines, is an important aspect of furthering the Group’s understanding of what the demands in the logistics market are, and is therefore critical to the Group ensuring that it can secure investment grade tenants on long dated, fully repairing and insuring leases – the cornerstone to the Group’s logistics portfolio. Equites’ dedicated business development, and portfolio executive team is responsible for creating and enhancing the Group’s broker network.





# INTELLECTUAL CAPITAL

## HIGHLIGHTS

- Enhanced corporate governance policies
- Increased monitoring and management software solutions

**Intellectual capital is defined as the organisation-wide knowledge and intellectual property such as policies and procedures, organisational culture and information technology. Equites strives to continuously improve on its policies and procedures to provide an all-inclusive, fair and transparent work environment. Equites invests in information systems which assist in streamlining processes, provide an efficient work environment and facilitates the seamless sharing of information across the organisation.**

## POLICIES AND PROCEDURES

Equites' policies and procedures have been enhanced to ensure that a safe, transparent and fair environment for all stakeholders is created. These are aligned with the Group's governance framework which is essential for achieving the Group's long-term strategic objectives. Equites facilitates regular interactions with staff to maximise the effectiveness of these policies and procedures and identify ways in which these can be continuously improved upon. During the current year, the Employee Handbook and the Group's POPIA policy was distributed to all staff members and adequate training was provided to ensure that employees understood all elements of these documents.

## ORGANISATIONAL CULTURE

The culture at Equites is constantly evolving in order to create an inclusive environment in which employees feel heard, appreciated and encouraged to perform at their best. The Board sets the "tone at the top" and a unified message is conveyed to all employees and stakeholders throughout the organisation. Employees are regularly surveyed on their understanding of the organisational culture and values. The outcomes of these surveys are evaluated at a Board level and any appropriate actions are taken to address any concerns raised.

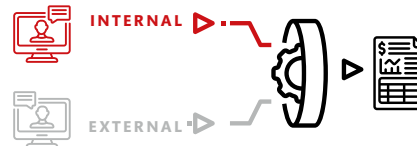
## TECHNOLOGY

The majority of information technology solutions employed by the Group are cloud-based. This enables staff to securely access information from any location and from any device, allowing them to be virtually connected thereby increasing efficiency and streamlining communication and the Group's operations processes.

During the current year, the following solutions were employed to assist with the Group's operations and stream-line processes:

### PROJECT MANAGEMENT

Project management software was employed to improve the current project management on developments and to enable real-time updates which facilitates timeous review and sign-off and monitoring. This software has made internal deadlines more manageable and created efficiencies by streamlining and automating workflows.



The software allows internal and external project managers to populate budgets for each project which is linked to an application tool within the system to provide an accurate snapshot of the budget and cashflows in real time as the project progresses. These project managers are also able to submit tender applications through the system for approval, and once approved, these contractors and consultants are loaded on the system and linked to the specified project and budgeted item. Vendors upload their invoices directly to the platform and this undergoes various checks within the system and a workflow of approvals are initiated through the platform before the invoice is submitted for payment.

This software allow for a transparent reporting process on projects as it collectively serves as a collaborative platform for all stakeholders.

### TREASURY MANAGEMENT

The Group implemented treasury management software that provides an integrated framework for treasury policy, processes and performance. The system allows for the daily maintenance, monitoring and assessment of the Group's liquidity position, across all financial institutions and in various currencies, in one integrated solution. In addition, the software provides a

centralised database to recognise, monitor and analyse the derivative positions of the Group and its exposure to market risk and aids in managing interest payment by forecasting variable interest due. The Group intends to further integrate this solution in future.

### VENDOR ONBOARDING AND VETTING

An online vendor application form and outsourced vendor vetting process was designed and implemented to streamline the vendor onboarding system and ensure a uniformed system for all potential vendors, regardless of the service offered. The system has built in automated workflows and segregation of duties to ensure that only vendors which meet Equites' standards are engaged with and minimises the risk inherent in the vendor onboarding process.

### EMPLOYEE APPRAISAL AND DEVELOPMENT

Employee performance and development is a key element to driving the Group's success by continuously developing its employees. To ensure that each employee has the same opportunities to discuss their performance and personal goals and development areas, a system was brought into use to actively record, monitor progress and provide feedback on a continuous basis in areas of work, studies and mental health. The system will also manage the employee appraisal process and allows staff to provide peer-to-peer and upward feedback.

### BUSINESS DEVELOPMENT CRM

Deal tracking forms an integral part of the business development function. The Group implemented a cloud-based CRM software that gives internal users a real-time view in to the deal pipeline. The software has the ability to document all client and broker interactions on an ongoing basis as well as associate these to a specific deal. The CRM has created transparency in to the deal pipeline and given users the ability to interact on an ongoing basis.



# MANUFACTURED CAPITAL

## HIGHLIGHTS

- 19.0% growth in GLA to 1 363 900m<sup>2</sup>
- 33.1% increase in portfolio value to R25.7 billion
- 0.7% vacancy

**Equites has curated a high-quality logistics portfolio across SA and the UK, with a focus on assets that are modern, well-located, and tenanted by A-grade users on long-dated leases. The Group benefits from being a market leader in this class of specialisation, evidenced by the Group being the only listed property company on the JSE to provide shareholders with pure exposure to prime logistics. Equites' tenants operate in diverse sectors, with many of their businesses being driven by technology and major shifts in the consumer landscape. Equites' ethos is embedded in delivering high-quality spaces to its customers to enable them to implement their vision for success.**

Equites' ability to create value stems from the acquisition of well-positioned land, which is suitable for development, the procurement of tenants through development leases and managing the construction process through the entire lifecycle.

### SA

The Group's property developments team continues to innovate and push the boundaries to create a unique product offering which is unmatched in the SA context. Equites applies a strict baseline specification which is inspired by global best practice and this remains one of Equites' competitive advantages. The Group prides itself in being a sector specialist and is able to provide valuable insights and recommendations to its clients' warehousing and supply chain requirements. Furthermore, Equites invests in long-term relationships with its tenants, which typically creates new opportunities for its development team over time.

Equites aims to achieve EDGE Advanced Certification on all new developments, whilst guaranteeing standard EDGE certification as a minimum. EDGE Advanced is a rating awarded to a building which achieves a minimum energy savings of 40% with additional 20% savings in both water and embodied energy. This accreditation is globally recognized and aligns with the Groups mission to develop and acquire world-class logistic assets. The decision to go forward with this level of certification comes as a result of directly supporting the Group's overall sustainability initiatives whilst simultaneously unlocking additional value for the Group's tenants through them directly benefiting from the operational savings in water and energy use attached to the respective properties. Equites received two EDGE and three EDGE advanced certificates during the year for developments completed towards the end of FY21 and during FY22.

During the year, Equites embarked on performing sustainability audits on all the Group's existing properties. These audits were undertaken to assess the buildings efficiencies against the EDGE green building certification standards and identify areas of improvement. The Groups objective is to achieve water and energy efficiencies on these buildings to align with EDGE Advanced certification in the medium-term.

### UK

The investment landscape in the UK logistics property market continues to be frenzied, as the weight of capital chasing investment opportunities compressed initial yields to record levels. Consequently, it is currently not feasible for Equites to acquire properties in the open market, as the expected total return does not exceed the hurdle rate (predominantly due to the lower initial yields). Equites' decision to partner with a best-in-class development team, Newlands, affords Equites the opportunity to expand in the premium sector of the UK logistics market at a discount to open market values, thereby meeting the required hurdle rates.

Equites has embarked on a hybrid strategy of concluding pre-let development agreements, which Equites will retain as long-term investments, as well as turnkey development agreements for third parties (including land sale agreements), which will crystallise profits, support growth in NAV per share and generate capital internally for further investments.

In line with the Group's SA sustainability goals, in the UK the Group aim to achieve BREEAM certification on all developments which outlines the buildings environmental impact through the whole life-cycle of the building.

## PORTFOLIO VALUATIONS

The Group's policy is to externally value each income-producing property at each reporting date and to use a range of external valuation specialists across the portfolio. Previously, external valuations were performed on income-producing properties once every 18 months. Six external valuation specialists were employed to value the portfolio as at 28 February 2022, three in SA and three in the UK. These valuations are performed using the discounted cash flow method on SA income-producing properties, and the income capitalisation method on UK income-producing properties.

The Group continues to make significant strides towards increasing the robustness and transparency of property valuations, providing further certainty and assurance to stakeholders.

The Group considers the reasonability of the valuations based on the type of property and the associated characteristics, as summarised overleaf:

THIS CERTIFIES THAT  
Equites Park  
Sandvik Head Office  
HAS ACHIEVED AN  
EDGE ADVANCED CERTIFICATE  
CERTIFICATE NUMBER  
GP2-ZAF-20050710087565

THIS CERTIFIES THAT  
Equites Park  
Sandvik Workshop 1  
HAS ACHIEVED AN  
EDGE ADVANCED CERTIFICATE  
CERTIFICATE NUMBER  
GP2-ZAF-20050810087606

THIS CERTIFIES THAT  
Equites Park  
Sandvik Workshop 2  
HAS ACHIEVED AN  
EDGE ADVANCED CERTIFICATE  
CERTIFICATE NUMBER  
GP2-ZAF-20050810087607

THIS CERTIFIES THAT  
Equites Park  
Sandvik Workshop 3  
HAS ACHIEVED AN  
EDGE ADVANCED CERTIFICATE  
CERTIFICATE NUMBER  
GP2-ZAF-20050810087608

THIS CERTIFIES THAT  
Equites Park  
Imperial Warehouse  
HAS ACHIEVED AN  
EDGE ADVANCED CERTIFICATE  
CERTIFICATE NUMBER  
GP2-ZAF-20052010088095

**EDGE ADVANCED**  
Exemplifying achievement in the following areas:

- 49% Energy Savings
- 20% Water Savings
- 43% Less Embodied Energy in Materials

133.88 tCO<sub>2</sub>/year Operational CO<sub>2</sub> Emissions  
1.86 t tCO<sub>2</sub>/year Operational CO<sub>2</sub> Savings

**Edge**  
Excellence In Design For Greater Efficiencies

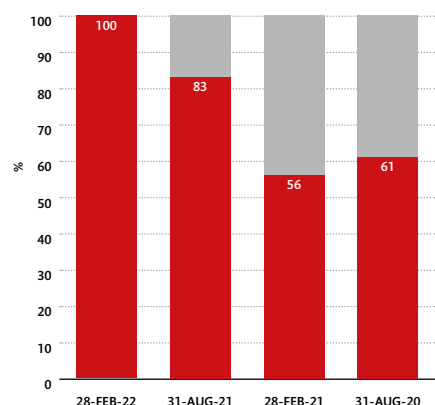
DEVELOPED BY  
Equites Property Fund

CERTIFIED BY  
Green Business Certification Inc. (GBCI)

*Peter Templeton*  
Peter Templeton, President and CEO  
DATE OF ISSUE: 13 APR 2022

**PLEASE REFER TO THE SUSTAINABILITY REPORT FOR FURTHER INFORMATION**

### EXTERNALLY VALUED INCOME-PRODUCING PROPERTIES BY GROSS LETTABLE AREA



■ EXTERNALLY VALUED  
■ INTERNALLY VALUED

PROPERTY TYPE	DESCRIPTION
<b>MODERN DISTRIBUTION CENTRE</b>	Well located properties with high specification levels including ultra-flat floors, large volumetric capacity, deep yards and advanced fire protection. Site coverage typically averages 50%.
<b>LOGISTICS CAMPUS</b>	Properties that include both a modern distribution centre and the tenant's head office (national or international). Given the number of head office staff, these properties also typically have a larger number of parking bays and other value adding elements. The office components are exclusively A- and P-grade, which increases the average value significantly.
<b>CROSS DOCKING/ULTRA-LOW COVERAGE</b>	Properties that are designed to meet the needs of a 3PL or last-mile fulfilment occupier and necessarily have a site coverage of below 35%. This category includes cross-docking facilities and city distribution units where the value of the yard, increases the comparable value on a GLA basis.
<b>OTHER</b>	All properties that are not classified in the above categories. This category includes a jet hangar, bakery and mobile cell towers.

### PORTFOLIO MOVEMENTS

All acquisitions and developments are expected to create value and increase the overall quality and defensiveness of the portfolio. When evaluating the feasibility of a transaction, the Group determine an acceptable rate of return over the investment horizon by calculating the weighted average cost of capital and adding an appropriate risk premium which considers the location, lease length, lease escalation rate, covenant strength and any other factors that might materially alter the investment risk.

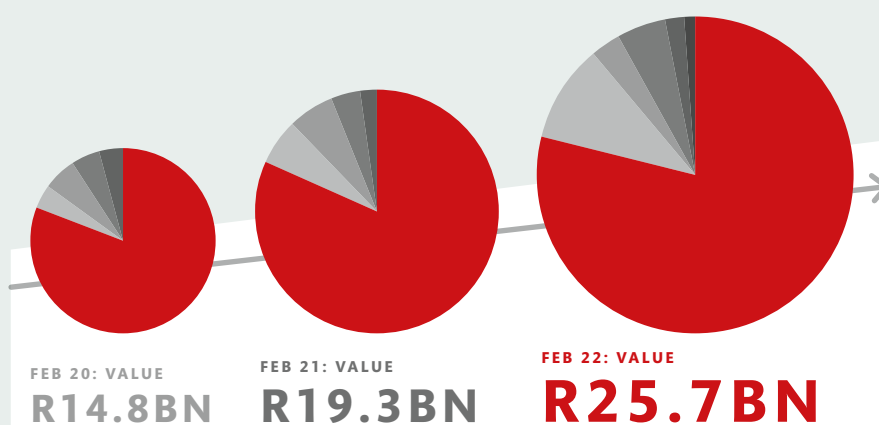
Through high-quality acquisitions and developments in both its SA and UK portfolios, Equites has increased the value of its portfolio to R25.7 billion at 28 February 2022. The largest transaction in the financial year was the acquisition of the DSV Campus in Gauteng for R2.05 billion, in partnership with Eskom Pension and Provident Fund ("EPPF"). This acquisition presented a compelling investment case in one of the preeminent logistics nodes in SA and the strategic venture with EPPF unlocked an alternative source of equity for further expansion.

Equites further enhanced the quality of the portfolio through developments; it completed a state-of-the-art logistics campus let to Sandvik Mining RSA (Pty) Ltd in Gauteng on a 10-year lease. Ongoing developments include a flagship warehouse for Cargo Compass (South Africa)

(Pty) Ltd, a new facility for Nioro Plastics (Pty) Ltd, an extension to the Premier FMCG (Pty) Ltd facility in Lords View and an extension to TFG's facility in Lords View, which will all be completed during FY23.

Through ENGL, Equites completed its first development; a last-mile logistics facility tenanted

by Amazon UK Services Ltd on a 15-year lease with a capital value of R1 billion. ENGL is currently in the final stages of completing its second development, a super-hub distribution facility let to Hermes (Evri), significantly adding to the scale of the UK portfolio. The property's expected capital value is c. R2 billion and is let to Hermes Parcelnet Ltd ("Hermes") on a 20-year lease.



#### PORTFOLIO DISTRIBUTION

	2020	2021	2022
■ LOGISTICS	81%	81%	79%
■ PROPERTIES UNDER DEVELOPMENT	4%	6%	10%
■ LAND IMMEDIATELY AVAILABLE	6%	6%	3%
■ LAND FOR FUTURE USE	5%	4%	5%
■ NON-CORE ASSETS	4%	2%	2%
■ HELD FOR SALE	0%	0%	1%



# MANUFACTURED CAPITAL CONTINUED

## DEVELOPMENT PIPELINE

### SA PIPELINE

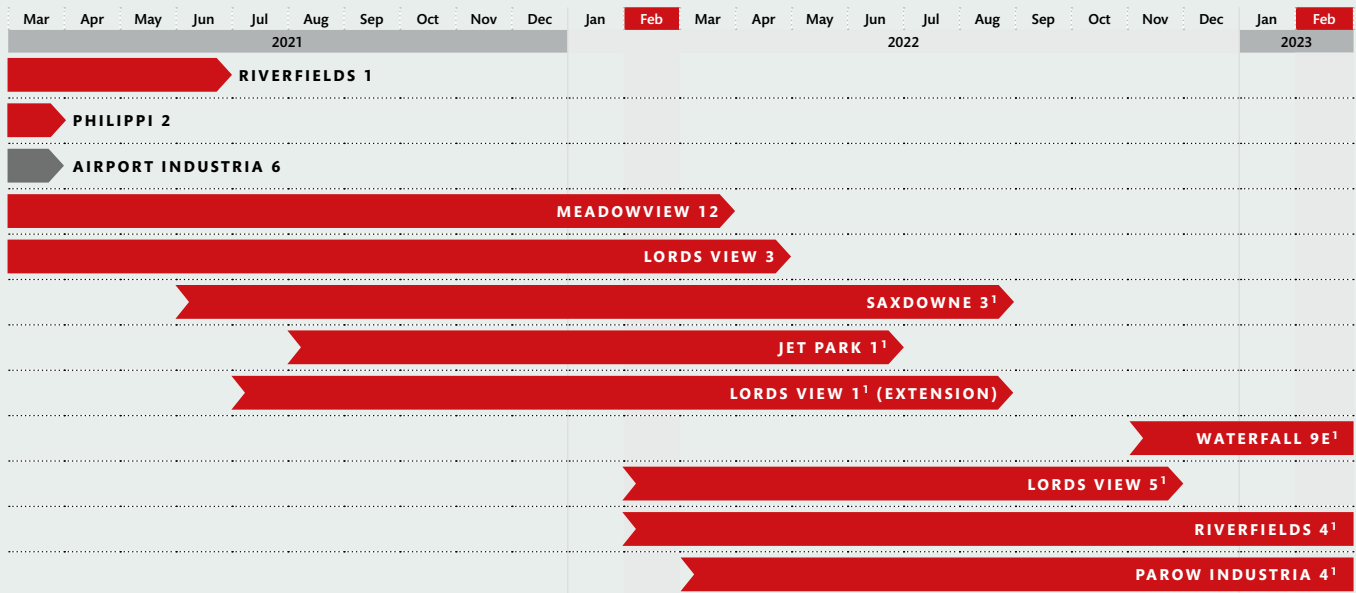
The potential pipeline of development opportunities has increased substantially, as demand starts returning to the SA landscape. Numerous large multinational and national tenants are expanding their distribution footprint across SA, with consolidation and resilient supply chains driving the decision making.

Over and above the extension of a TFG facility in Lords View, Equites has recently reached an agreement with the retailer to develop a new 50 000m<sup>2</sup> world-class distribution facility in Witfontein, with the potential to expand this facility to over 90 000m<sup>2</sup> over the medium term. The Group has agreed terms (post period-end) with a national retailer to develop an 85 000m<sup>2</sup> modern logistics warehouse on the remainder of the site, with a total capital value of R1 billion. The developments are being executed on land which Equites controls and will unlock the value embedded in these parcels.

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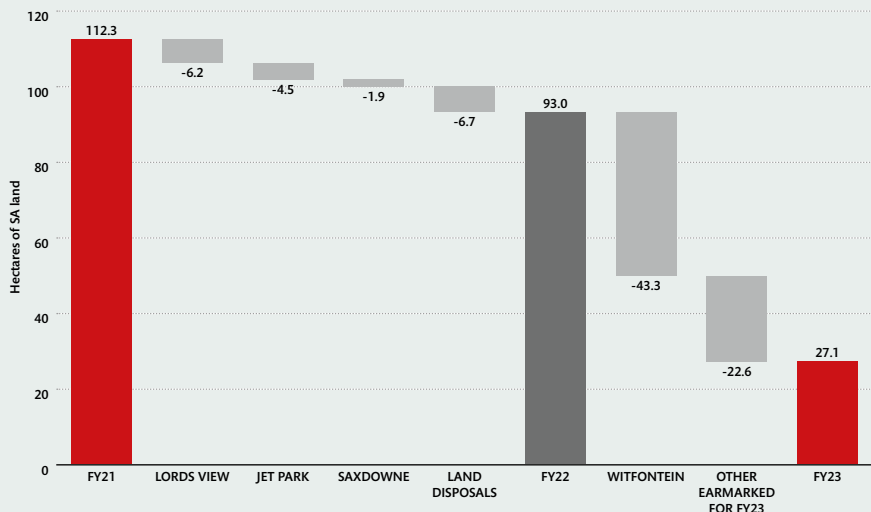
EQUITES PROPERTY FUND LIMITED



- DEVELOPMENT
- ACQUIRED DEVELOPMENT

<sup>1</sup> Based on indicative assessment.

### EQUITES LAND HOLDINGS IN SA (HECTARES)



In addition to the development agreements outlined above, Equites is currently in the final stages of negotiating the terms and conditions in respect of five new developments across SA, which are estimated to add a further 160 000m<sup>2</sup> of prime logistics space to the portfolio over the next two years, with a combined capital expenditure in excess of R1.8 billion. Land holdings are expected to reduce by 71% over the next year, assuming no further acquisitions of land parcels.



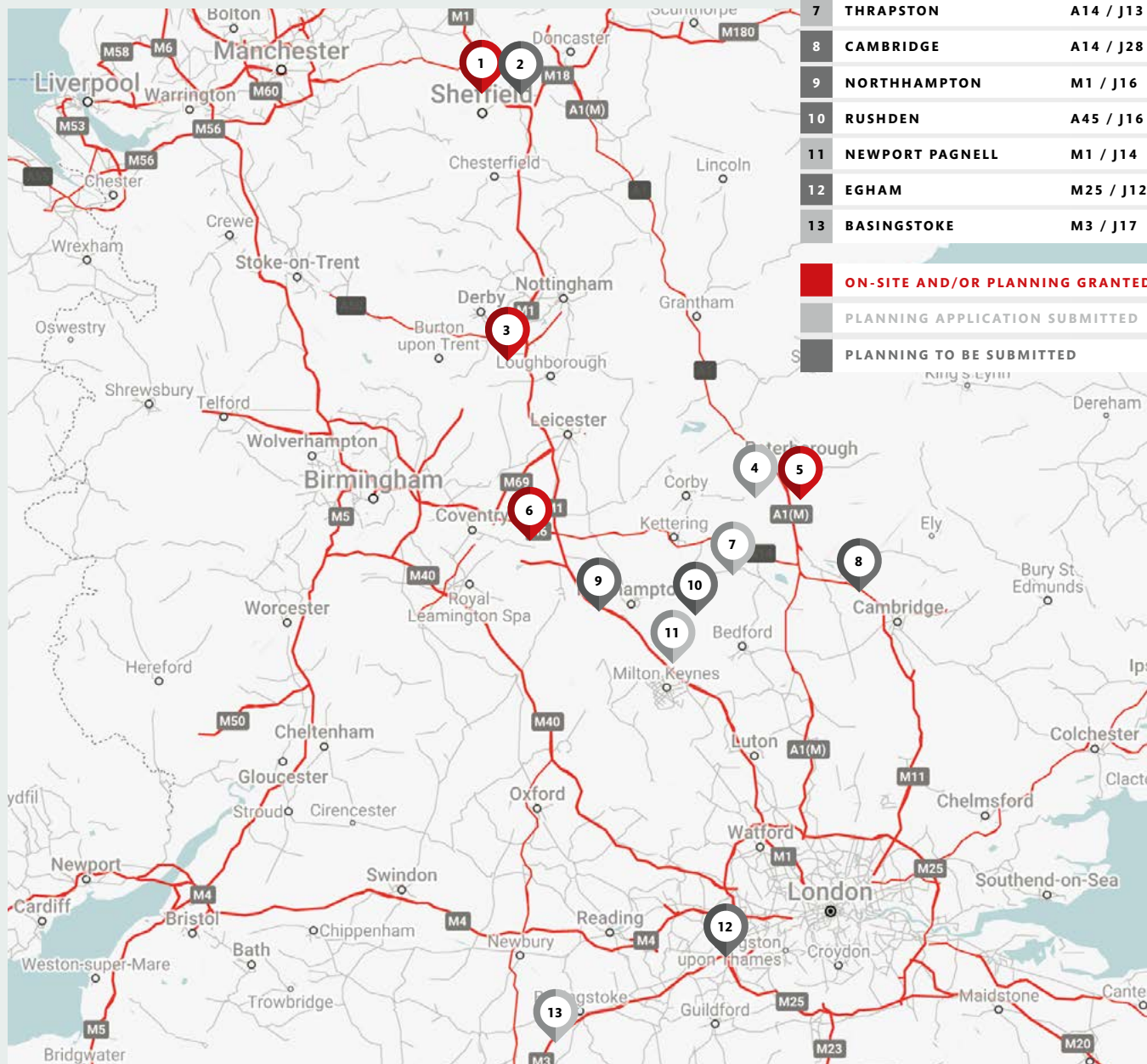
**UK PIPELINE**

Equites estimates that the value of the total potential pipeline of opportunities through the Newlands venture will be in excess of £1 billion (R20 billion) over the next five years. New development opportunities will focus on large-scale, world-class distribution facilities in the UK let to multinational tenants with strong covenants on long-term leases.

The map below depicts the current extent of the UK pipeline consisting of 13 sites and approximately 1 000 acres of land. Gross development value of these sites is estimated at £3.0 billion (approximately R60 billion) over the medium- to long-term. These sites relates to both developments to be held by Equites, for capital appreciation and rental income generation, and turnkey developments.

1	<b>BARNSELY</b>	<b>M1 / J36</b>
2	<b>GOLDTHORPE</b>	<b>M1 / J36</b>
3	<b>NOTTINGHAM</b>	<b>M1 / J24</b>
4	<b>A1 WEST</b>	<b>A1 / J17</b>
5	<b>PETERBOROUGH GATEWAY</b>	<b>A1 / J17</b>
6	<b>RUGBY</b>	<b>M6 / J1</b>
7	<b>THRAPSTON</b>	<b>A14 / J13</b>
8	<b>CAMBRIDGE</b>	<b>A14 / J28</b>
9	<b>NORTHHAMPTON</b>	<b>M1 / J16</b>
10	<b>RUSHDEN</b>	<b>A45 / J16</b>
11	<b>NEWPORT PAGNELL</b>	<b>M1 / J14</b>
12	<b>EGHAM</b>	<b>M25 / J12</b>
13	<b>BASINGSTOKE</b>	<b>M3 / J17</b>

<span style="color: red;">■</span>	<b>ON-SITE AND/OR PLANNING GRANTED</b>
<span style="background-color: #cccccc;">■</span>	PLANNING APPLICATION SUBMITTED
<span style="background-color: #333333;">■</span>	PLANNING TO BE SUBMITTED





# MANUFACTURED CAPITAL CONTINUED

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EQUITES PROPERTY FUND LIMITED

## PROPERTY FUNDAMENTALS

The proactive and effective management of the property portfolio is one of Equites' core proficiencies. Equites is selective when appraising its tenants and renders a personalised service to each tenant to ensure the highest levels of tenant satisfaction. By constantly assessing the portfolio and managing individual sites, the Group strengthens its competitive position, attracts and retains quality tenants, maintains the integrity of the buildings, and consequently, supports underlying property valuations.

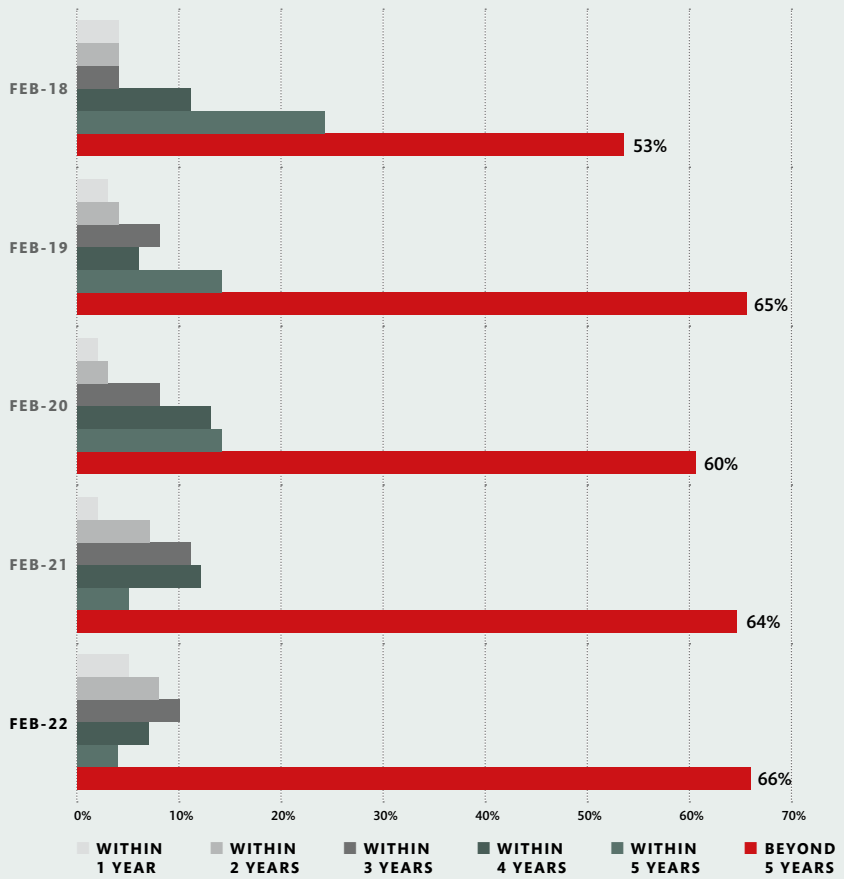
The WALE of 13.7 years and proportion of A-grade tenants of 97.2% is unrivalled in the sector. The Group invests in locations that evidence strong potential for capital and rental growth and which serve as proven nodes given their proximity to road networks, densely populated areas, and accessibility to a large labour force. The Group has properties in several key nodes in central Gauteng that are being developed with an aim to become parks providing enhanced security to tenants and with environmentally sustainable features available to tenants and throughout the parks.

There is one vacancy in the SA logistics portfolio as at 28 February 2022, which has been let with occupation commencing 1 May 2022. The only remaining vacancy in the portfolio relates to a single ancillary unit of 1 401m<sup>2</sup> located in the UK.

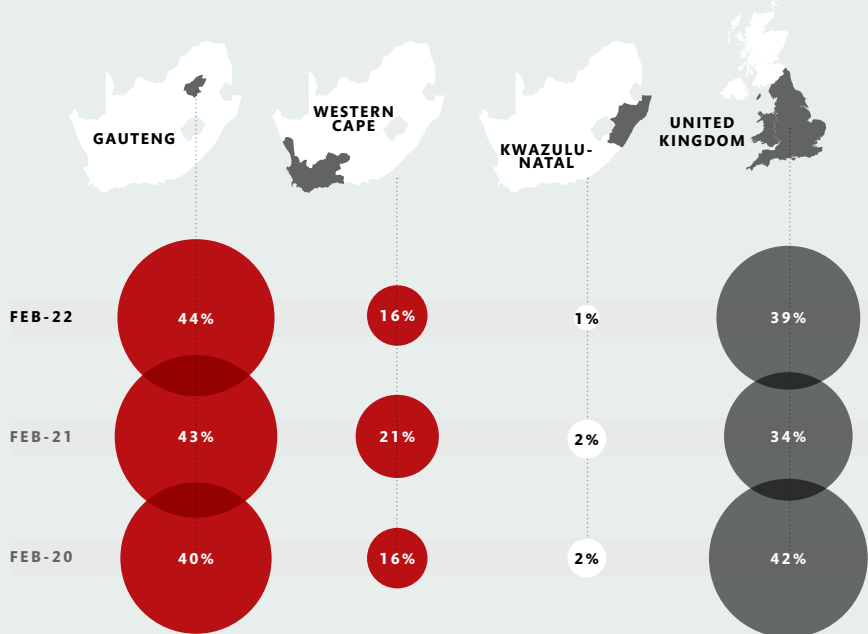
23.1% of all rentals expire within three years, by revenue. Seven leases (5.4% of rent) expire within the next year and Equites is in final negotiations to renew these leases. Equites actively engages with all tenants within 18 and 24 months prior to the expiry date of the lease to maximise the probability of retaining the tenant.

The Group continues to grow the SA portfolio through both acquisitions and developments, concentrated from a geographical perspective in Gauteng, with 57.0% of its lettable area currently situated in the region. Equites views this region as the hub of SA logistics, supported by the Group's continuous research and analysis, and continues to focus its growth efforts there.

## LEASE EXPIRY BY REVENUE



## GEOGRAPHICAL LOCATION BY VALUE



**HIGHLIGHTS**

- EDGE certification on all new developments and enhancements to existing buildings in line with the EDGE standard
- World-class baseline specifications implemented
- Efficient use of materials to ensure sustainable development

**Equites considers natural resource management as a central aspect of its development objectives. The preservation of ecological resources is an important consideration to ensure that elements like land, water, and soil are competently utilised with minimal impact to the environment. The identification and management of biodiversity is undertaken as part of the environmental impact assessment, and the Group considers the conservation of any threatened species found at the site as a corporate obligation.**

**LAND**

An essential component of the Group's business relates to property development where land acquisition is necessary to expand the Group's portfolio. Equites strives to acquire land in key logistics nodes with well-developed infrastructure and access to services and pays significant attention to the environmental impact of developments to ensure that any activities have a minimal effect on the surrounding flora and fauna.

**BACKFILLING AND COMPACTION**

The re-use, re-purpose and recycling of materials takes precedent. During construction, Equites either sustainably source materials locally from nearby sites or re-use and repurpose any medium excavated during the groundworks phase of a development. This mitigates against the importation of backfill or exportation of excess material to landfill sites, which additionally contributes to the reduction of carbon emissions attributed to transportation.

**REUSE, REDUCE AND RECYCLE**

Equites continually try to repurpose materials for optimal use within a development or investigate ways that it could potentially be used for other development sites within the Group. This would include the reuse of sand to fill a site, utilisation of topsoil for planting, extracted rocks as a landscaping feature and replanting of vegetation in a responsible manner. Where sites are demolished, Equites aims to re-use the materials and incorporating this into the new development.

**WATER**

The effective management of water is an important consideration for the Group. Increasing water scarcity due to changing precipitation patterns, pollution and ageing infrastructure, requires a responsible approach to ensure that this fundamentally important resource is competently managed. According to the Work Resources Institute, South Africa is considered at high risk of water stress by 2040.

In response, Equites has implemented water management measures to increase efficiencies and minimise usage together with facilitating access to alternative water sources. The Group believes these interventions contribute to the preservation of this essential resource and importantly, also enables the continuity of the Group's client's operations during periods of water paucity.

The majority of the Group's industrial parks in SA have access to boreholes which provides additional non-potable water to the surrounding properties. A number of Equites sites also make use of rain harvesting systems to capture water runoff to augment their water capacity. Water reserve tanks are installed at newer developments to provide water in instances of supply interruptions from utility providers. Some properties have well points installed and the Group continues to adopt a stakeholder approach to ensure that water reserve capacity is aligned to the Group's client's needs.

To prevent pollution, storm water systems at newer developments are designed to eliminate excess grease, oil, sediment and litter, before draining to onsite retention ponds. This ameliorates the water draining into the municipal system and alleviates the impact on infrastructure.

Equites maintains the landscapes at all parks which are designed to be water efficient and planted with indigenous flora. The Group also contribute towards the upkeep and maintenance of natural habitats surrounding the Group's parks.

**AIR  
RENEWABLE ENERGY**

Equites has commissioned Solar Photovoltaic (PV) systems for all new developments. The Group has conducted sustainability audits to assess the energy efficiency of each building in line with the Group's commitment to ensure the portfolio is powered by clean green energy and EDGE green building certified. The Group is engaging with tenants to present the sustainability interventions required and align with their sustainability objectives.

The renewable energy systems can potentially generate energy for current and future neighbouring buildings in the park once the applicable legislations have been formulated, thereby reducing overall demand on the local grid and decreasing carbon emissions.


All new developments are built with energy efficient lighting and full LED light fittings. As an outcome of the audits, LED lights have been proposed for existing buildings and Equites is working with its clients to rollout the installation of these.

All properties have a back-up generator installed to minimise the impact of load-shedding and to ensure business continuity in the case of power outages. The fuel usage of these is monitored and their scope 3 emissions are monitored, as part of the Group's carbon reduction strategy.

**MONITORING AND EVALUATION**

All usage activity is monitored monthly to detect anomalies in order to mitigate against wastage and to ensure that any disruptions are proactively managed.

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 **REFER TO THE SUSTAINABILITY REPORT FOR FURTHER INFORMATION ON HOW NATURAL CAPITAL IS EMPLOYED WITHIN THE ORGANISATION.**

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# SUSTAINABILITY

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# SUSTAINABILITY REPORT

Equites aims to collaborate with all stakeholders to create sustainable value through its operations, ensuring that the environmental, social and governance elements are incorporated into all areas of the business in both operating jurisdictions.

The Group has incorporated climate risk into its environmental risk management framework and this is considered as part of the risk management process. In line with global best practice, Equites has aligned its disclosure on its climate related risks and opportunities in conformity with the recommendations of the Taskforce on Climate related Financial Disclosure framework.

**THE TCFD DISCLOSURES CAN BE FOUND AT [WWW.FSB-TCFD.ORG/](http://WWW.FSB-TCFD.ORG/)**

Sustainability at Equites is driven by a cross-departmental ESG steering committee under the aegis of the Social, Ethics and Transformation sub-committee of the Board. The Group has appointed an ESG officer to co-ordinate all sustainability initiatives and has identified areas where it can influence positive change across its business footprint, which is driven by this dedicated sustainability function.

As a globally recognised REIT specialising in the logistics sector, the Group believes it is essential to embed all the elements of ESG into its business strategy. It has defined materiality to include environmental action and awareness, human capital, customer centricity, diversity, equity and inclusion, community upliftment, and ethical practice. These areas of materiality are consistent with the long-term goals of the Group and will be continually assessed to ensure relevancy.

## AREAS OF MATERIALITY



As an advocate of thinking global and acting local the Equites sustainability framework, approved by the Social, Ethics and Transformation Committee, is aligned to the UN Sustainability Development Goals.

By identifying areas where Equites can make a meaningful contribution to its stakeholders, the Group has embarked on a journey to focus on wider value creation. Whilst it is recognised that the impacts of this will not be immediate, the Group believes that a steady and consistent effort towards stakeholder value creation will yield long-term results. This is an evolutionary process that will be continuously monitored as part of the comprehensive sustainability strategy and commitment to global best practices.

**SUSTAINALYTICS RATING**

The Group underwent its third annual ESG assessment by Sustainalytics, the global ESG rating firm. The ESG Risk score improved by 34% and the management of ESG Risk was considered to be strong, with a 64% increase compared to FY21.

This resulted in Equites moving to the leading position in its global peer group by value, and ranking in the top 3 percent for low ESG risk globally. Equites is encouraged by this result and is committed to implementing practices that contribute to sustainable development.

	2022	2021	2020
Overall Risk Rating Score <sup>1</sup>	11.0	16.9	17.4
ESG Risk Management Score <sup>2</sup>	58.2	35.5	33.5

<sup>1</sup> The overall risk rating score reflects the level of unmanaged risk a company has. The lower the number, the less the likely impact of ESG issues on the economic value of the company.










<sup>2</sup> The management score reflects the level of managed risk a company has, shown by having suitable policies, programmes and initiatives. The higher the number, the better ESG exposure risk is being managed.















**THROUGH THESE INTERVENTIONS, IT IS ENVISAGED THAT THE FOLLOWING SUSTAINABLE GOALS WILL BE ACHIEVED**

## SUSTAINABILITY REPORT CONTINUED

### SUSTAINABILITY OBJECTIVES ALIGNED TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS







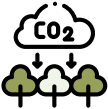


SUSTAINABILITY OBJECTIVE	SUSTAINABLE DEVELOPMENT GOAL DESCRIPTION	SUSTAINABLE DEVELOPMENT GOAL	EQUITES ACTIONS AND TARGETS 2023	EXPECTED IMPACTS	TARGET STATUS
<b>EMPLOYEE WELLNESS AND OCCUPATIONAL HEALTH &amp; SAFETY</b> 	<b>TO ENCOURAGE GOOD HEALTH AND WELL-BEING FOR EMPLOYEES, CONTRACTORS AND THE MEMBERS OF THE COMMUNITIES IN WHICH THE GROUP OPERATES.</b>	<b>3 GOOD HEALTH AND WELL-BEING</b> 	<p>Annual health checks for all employees to promote well-being such as:</p> <ul style="list-style-type: none"> <li>■ Annual flu vaccinations for employees and families of employees</li> <li>■ Annual medical check ups</li> <li>■ Subsidising medical aid benefits to ensure greater access to health and wellness facilities.</li> </ul> <p>Development, implementation and performance evaluation of an occupational health and safety policy</p> <ul style="list-style-type: none"> <li>■ Health and safety on site.</li> </ul>	Prevention of physical and mental harm, and the promotion of workers' health and well-being.	 Achieved targets in 2022.
<b>EDUCATING THE COMMUNITIES</b> 	<b>TO ENSURE QUALITY EDUCATION THROUGH THE MICHEL LANFRANCHI FOUNDATION, WHOSE MANDATE IS FOCUSED ON EDUCATIONAL INITIATIVES.</b>	<b>4 QUALITY EDUCATION</b> 	<p>Educate learners from disadvantaged backgrounds through tertiary education bursaries and the Equites learnership programme.</p> <p>Intend to make a positive impact to schools in the communities in which Equites operates.</p> <p>To ensure that all employees are trained and skilled to reach their maximum potential.</p>	Promote lifelong learning opportunities for all through the staff bursary programme.	 Achieved targets in 2022 and intend to increase disbursements in 2023.
<b>EQUAL OPPORTUNITIES FOR ALL</b> 	<b>ENCOURAGE GENDER EQUALITY IN ALL EMPLOYMENT PRACTICES AS WELL AS INCREASED FOCUS ON EMPOWERING WOMEN THROUGH EDUCATIONAL INITIATIVES EMPLOYED BY THE FOUNDATION.</b>	<b>5 GENDER EQUALITY</b> 	<p>Aim for 50% female staff complement and be mindful of female owned businesses in the Group's appointment of suppliers.</p>	Encourage gender equality in all employment and appointment processes.	 Achieved targets in 2022.  Included ESD target in SLB issued in FY22.



SUSTAINABILITY OBJECTIVE	SUSTAINABLE DEVELOPMENT GOAL DESCRIPTION	SUSTAINABLE DEVELOPMENT GOAL	EQUITES ACTIONS AND TARGETS 2023	EXPECTED IMPACTS	TARGET STATUS
<b>ENERGY CONSUMPTION</b> 	<b>ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL</b>	<b>7 AFFORDABLE AND CLEAN ENERGY</b> 	<p>Equip all parks with PV panels which feed into energy production plants.</p> <p>Photovoltaic power system energy savings representing at least 20% from traditional building specifications.</p>	<p>Reduced reliance on coal powered energy and increased access to efficient energy sources resulting in lower carbon emissions, improving air quality and promoting better human health.</p>	 <p>Achieved targets in 2022.</p> <p>Included renewable energy target in SLB issued in FY22.</p>
<b>DEVELOP AND EMPOWER PEOPLE</b> 	<b>FOCUS ON CREATING EMPLOYMENT OPPORTUNITIES FOR SURROUNDING COMMUNITIES</b>  <b>PROMOTE SAFE AND SECURE WORKING ENVIRONMENTS ADHERING TO THE STRICTEST HEALTH AND SAFETY STANDARDS</b>	<b>8 DECENT WORK AND ECONOMIC GROWTH</b> 	<p>Create employment opportunities on development sites.</p> <p>Create employment opportunities at head office level.</p>	<p>Promote sustained, inclusive and sustainable economic growth and full and productive employment and decent work for all.</p>	 <p>Ongoing measurement.</p>
<b>EMPOWERING COMMUNITIES</b> 	<b>PROVIDE SURROUNDING COMMUNITIES WITH ACCESS TO ROAD, ELECTRICAL AND WATER INFRASTRUCTURE</b>	<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> 	<p>Develop quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being.</p>	<p>Achieve world class infrastructure in the parks to benefit the surrounding communities.</p>	 <p>In progress.</p>
<b>EQUITABLE OPPORTUNITIES FOR ALL</b> 	<b>REDUCTION IN INEQUALITY IN THE WORKPLACE THROUGH INSTILLING THE SOCIAL, ECONOMIC AND POLITICAL INCLUSION OF ALL, IRRESPECTIVE OF AGE, SEX, DISABILITY, RACE, ETHNICITY, ORIGIN, RELIGION, ECONOMIC OR OTHER STATUS</b>	<b>10 REDUCED INEQUALITIES</b> 	<p>A focus on employment equity when hiring, promoting, empowering or engaging with stakeholders.</p>	<p>Reduction in inequality in the workplace resulting in higher job satisfaction for employees and better relationships with other stakeholders.</p>	 <p>In progress.</p>

## SUSTAINABILITY REPORT CONTINUED

### SUSTAINABILITY OBJECTIVES ALIGNED TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

SUSTAINABILITY OBJECTIVE	SUSTAINABLE DEVELOPMENT GOAL DESCRIPTION	SUSTAINABLE DEVELOPMENT GOAL	EQUITES ACTIONS AND TARGETS 2023	EXPECTED IMPACTS	TARGET STATUS
<b>GREEN BUILDINGS</b> 	<b>INCREASED ENERGY SAVINGS REPRESENTING AT LEAST 20%</b>  <b>WATER AND ELECTRICITY SAVINGS REPRESENTING AT LEAST 20%</b>	<b>11 SUSTAINABLE CITIES AND COMMUNITIES</b> 	<p>All new buildings developed to EDGE standards in SA and at least BREEAM "Very Good" in the UK.</p> <p>Embodied energy savings representing at least 20%.</p> <p>Water and electricity savings representing at least 20%.</p> <p>Develop buildings that use quality and sustainable materials.</p>	<p>Reduced carbon emissions and improvements to water conservation and quality.</p> <p>Reduction of soil contaminants and chemical hazards as well as better air quality and human health.</p>	 Achieved all targets for 2022. Included EDGE requirement in SLB issued in FY22.
<b>RESPONSIBLE &amp; SUSTAINABLE CONSTRUCTION</b> 	<b>MONITOR AND ENCOURAGE RESPONSIBLE WATER CONSUMPTION WITH THE USE OF RAIN HARVESTING AND GREY WATER MANAGEMENT SOLUTIONS</b>	<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> 	<p>Reduce water consumption over the whole portfolio.</p> <p>Reduce coal powered electricity consumption by 10%.</p> <p>Implement solar panels in 50% of developments.</p>	<p>Reduced environmental impact as a result of sustainable design of buildings and parks.</p>	 In progress. Have commenced retrofit of solar PV panels at existing properties.
<b>REDUCING CARBON FOOTPRINT</b> 	<b>DRIVE INITIATIVES FOR RESPONSIBLE CONSTRUCTION, WATER SAVING AND ENERGY CONSERVATION</b>	<b>13 CLIMATE ACTION</b> 	<p>Reduce carbon emissions by 5% per annum. Baseline carbon assessment in progress to determine carbon footprint and to determine net zero goal.</p>	<p>Reducing carbon footprint in development and operations of buildings.</p>	 In progress.

It is recognised that different stakeholders have diverse interests and are impacted differently by the Group's business activities. The following stakeholder summary illustrates the significance of the interrelationships between Equites and its stakeholders:

STAKEHOLDER	NATURE OF ENGAGEMENT	AREAS OF INTEREST FOR THE STAKEHOLDER	ACTIONS TO SAFEGUARD STAKEHOLDER INTERESTS
<b>CUSTOMERS (TENANTS)</b>	<ul style="list-style-type: none"> <li>One-on-one meetings between tenants, property managers and ESG officer</li> </ul>	<ul style="list-style-type: none"> <li>Property management and building maintenance</li> <li>Trusted customer relationships</li> <li>Effective communication between tenants and Equites</li> <li>Efficient energy and water usage</li> <li>Enhancing the sustainability profile of the building</li> </ul>	<ul style="list-style-type: none"> <li>Undertaking formal visits and regular building inspections</li> <li>Having a maintenance plan in place for all properties</li> <li>Consistently communicating and sharing information with tenants</li> <li>Annual occupier satisfaction surveys</li> <li>Implementing the recommendations of the sustainability audits</li> </ul>
<b>EMPLOYEES</b>	<ul style="list-style-type: none"> <li>Regular meetings between management and employees</li> <li>Open-door policy encouraged in organisation</li> <li>Mandatory performance appraisals</li> </ul>	<ul style="list-style-type: none"> <li>A positive, healthy, productive work environment that supports employee well-being</li> <li>Self-development and empowerment</li> <li>Appropriate rewards and incentives</li> </ul>	<ul style="list-style-type: none"> <li>Conducting annual employee wellness programmes</li> <li>Holding team-building and social events for employees</li> <li>Having semi-flexible working hours and a work-from-home policy</li> <li>Encouraging training and development throughout the organisation</li> </ul>
<b>INVESTORS</b>	<ul style="list-style-type: none"> <li>Investor presentations and road shows</li> <li>Annual general meetings</li> <li>Direct contact with key investors</li> </ul>	<ul style="list-style-type: none"> <li>Positive sustainable returns through sound investment decisions that allow investors to meet their financial needs</li> <li>Transparent engagement and being informed of the latest performance and outlook</li> </ul>	<ul style="list-style-type: none"> <li>Following due diligence and the governance process before making an investment</li> <li>Considering only assets that meet the Group's investment criteria</li> <li>Considering risk-reward trade-off to target long-term stable returns</li> <li>Regularly communicating changes in the Group</li> </ul>
<b>BROKER NETWORK USED TO SOURCE TENANTS</b>	<ul style="list-style-type: none"> <li>Direct communication between Equites' business development team and brokers</li> </ul>	<ul style="list-style-type: none"> <li>Quality of tenants</li> <li>Positive impact of long-term leases</li> </ul>	<ul style="list-style-type: none"> <li>Focusing on established national/multinational tenants with good credit ratings and sound financial fundamentals</li> </ul>
<b>FINANCIAL INSTITUTIONS</b>	<ul style="list-style-type: none"> <li>Regular communication with financial institutions and other funders</li> </ul>	<ul style="list-style-type: none"> <li>Cost of funding</li> <li>Compliance with loan covenants</li> <li>Changes to the risk profile of the Group</li> </ul>	<ul style="list-style-type: none"> <li>Diversify sources of funding, including sustainability linked facilities</li> <li>Constantly monitoring loan covenants to ensure compliance</li> <li>Maintaining an optimal debt/equity structure and ensuring that risk is assessed when making capital structure decisions</li> <li>Adhering to Group policies regarding funding and hedging requirements, resulting in responsible and informed decision making</li> </ul>
<b>SUPPLIERS AND CONTRACTORS</b>	<ul style="list-style-type: none"> <li>Regular one-on-one engagement by the operations and development teams with suppliers and contractors</li> </ul>	<ul style="list-style-type: none"> <li>Time and resources made available to meet deadlines</li> <li>Compliance with service-level agreements</li> <li>Health and safety measures on site</li> </ul>	<ul style="list-style-type: none"> <li>Having regular progress updates with suppliers and contractors</li> <li>Addressing all non-compliance issues timeously</li> <li>Adhering to health and safety standards at all times on site</li> <li>Promoting environmental and social best practices</li> </ul>
<b>COMMUNITIES IN WHICH WE OPERATE</b>	<ul style="list-style-type: none"> <li>Engagement through the Group's community engagement partner</li> </ul>	<ul style="list-style-type: none"> <li>Minimal disruption to living conditions</li> <li>Community involvement and social upliftment, including job creation</li> <li>Being informed of the potential impact of operations and transparency from the initial stages through to completion</li> </ul>	<ul style="list-style-type: none"> <li>Considering the impact on communities in which Equites develops and owns properties</li> <li>Creating employment opportunities to encourage community upliftment, skills advancement and SMME development</li> </ul>

# SUSTAINABILITY REPORT CONTINUED

## ENVIRONMENTAL STEWARDSHIP

### CAPITALS MAPPED



### SDGS SUPPORTED



### GRI DISCLOSURE INDICATORS

303-1A	303-2A	302-4A
303-1C	304	417-1
306-2A		

## MANAGEMENT APPROACH DEVELOPMENT PROCESS

The responsible usage of natural resources is considered essential to the activities of the Group. It is acknowledged that the continuity of the business and the utilisation of shared resources such as water, energy and land, weigh heavily on preserving natural capital, from a short-term and long-term perspective. A dedicated sustainability consultant is appointed to the professional team of each development to ensure that the design, procurement and execution includes environmentally conscious methods from inception, and to monitor this process throughout construction against approved environmental management plans. This philosophy is carried through to the structured handover and commissioning.

Equites recognises that anthropogenic-induced climate change requires innovative approaches to mitigate against its impact. Through a multi-disciplinary process, each input of the development process is continually assessed to identify areas of improvement and technologies that contribute to improved efficiencies.

Through the various initiatives of sustainable property development and property management activities, the Group aims to develop assets that immediately address the current environmental concerns whilst staying relevant by meeting the growing sustainability requirements of tenants.

The Group evaluates the following variables under each indicator as part of environmental stewardship.

- **Energy:** Energy Consumption, energy efficiency, energy use intensity, onsite renewable energy
- **Greenhouse Gas:** Carbon intensity, embodied carbon, carbon emissions
- **Water:** Water use efficiency, water use intensity, water scarcity
- **Materials:** Renewable and non-renewable materials, hazardous materials, materials consumption, waste generation
- **Biodiversity:** Land use, land use change, conservation of flora and fauna

## SUSTAINABILITY AUDITS

An independent environmental consultant was mandated to assess the portfolio's energy, water, and embodied energy against EDGE green building certification standards, in order to optimise the operational efficiencies of each development. The outcome of these audits proposed clearly defined sustainability interventions that were communicated to stakeholders in line with shared value creation. This culminated in a tenant engagement drive to align goals with those of clients, in delivering solutions that include a rollout of solar PV and efficient utility usage. These initiatives deliver the economic and environmental benefits of a sustainable building through lower utility costs and reduced carbon emissions.

The Group deploys capital in an environmentally responsible manner to deliver value for all stakeholders. Equites will retrofit its existing portfolio to leading green building certification standards and has underpinned this goal with key performance indicators of sustainability-linked funding.

## GREEN BUILDING CERTIFICATIONS

Equites has successfully achieved multiple EDGE Advanced green building certifications and has implemented this accreditation standard across all new developments in South Africa. All new building projects in the United Kingdom will be designed and constructed in accordance with the Building Research Establishment Environmental Assessment Method (BREEAM) to achieve, at a minimum, the BREEAM "Very Good" rating certification. The Group's objective is to achieve a minimum efficiency of 20% in energy and water metrics and is striving towards realising a goal of 40% energy efficiency to align with EDGE advanced certification. All developments in progress are being constructed to a similar standard and Equites is confident that these buildings will achieve final EDGE accreditation once construction is complete. Over the long term, Equites aims to achieve the EDGE Zero Carbon certification on its buildings.



BUILDING NAME	CERTIFICATION TYPE	EFFICIENCIES		
		ENERGY	WATER	MATERIALS
<b>SOUTH AFRICA</b>				
Lords View 2 <sup>1</sup>	EDGE Advanced	52%	32%	51%
Lords View 3 <sup>2</sup>	EDGE Advanced	58%	31%	53%
Lords View 4 <sup>1</sup>	EDGE Advanced	43%	47%	52%
Meadowview 19A <sup>1</sup>	EDGE Standard	30%	43%	50%
Meadowview 19B <sup>1</sup>	EDGE Standard	39%	21%	55%
Philippi <sup>2</sup>	EDGE Advanced	42%	34%	55%
Witfontein Riverfields 2 <sup>1</sup>	EDGE Advanced	49%	20%	43%

<sup>1</sup> Final certification

<sup>2</sup> Preliminary certification

The following Equites developments in the United Kingdom are BREEAM certified and all new buildings are being constructed to this standard.



<b>ISLAND ROAD WEST, READING</b>	Very Good
<b>PARC FELINDRE, SWANSEA</b>	Good
<b>PETERBOROUGH GATEWAY 2, PETERBOROUGH</b>	Very Good
<b>SCIMITAR WAY, COVENTRY</b>	Very Good

Equites is committed to certifying new industrial facilities using the EDGE and BREEAM rating tools through incorporating sustainable design, procurement and construction processes in each project. In addition to certification, these buildings will have the concomitant benefit of being more desirable and affordable for tenants, thereby leading to long-term savings.

**GHG RISK MANAGEMENT**

In the journey toward carbon neutrality, a carbon emission assessment was established. An expert carbon consultancy was commissioned to conduct an in-depth analysis on Scope 1, 2 and 3 emissions based on the GHG Protocol across the Equites business. The level of this engagement extended to water and energy usage, fugitive emissions, grid-controlled electricity, stationary combustion from generators, and the amount of waste generated per refuse type.

The total carbon emissions (tCO<sub>2</sub>e) is reflected below. Property specific emissions are shared with downstream stakeholders to influence behavioural change and foster the adoption of low carbon strategies and processes.

GHG EMISSIONS	SCOPE 1	SCOPE 2	SCOPE 3
tCO <sub>2</sub> e	1.4	98	57 842

**CARBON EMISSIONS**

SCOPE	SOURCE	TONNES CO <sub>2</sub> E FY22
<b>SCOPE 1</b>	Stationary Fuels (Diesel)	1.4
	Fugitive Emissions (Kyoto gases)	—
<b>SCOPE 2</b>	Purchased Electricity	
	– Location Based	98
	– Market Based	98

SCOPE	SOURCE	TONNES CO <sub>2</sub> E FY22
<b>SCOPE 3</b>	<b>Category 1:</b> Purchased Goods and Services – Water	280
	<b>Category 2:</b> Capital Goods – Construction	57 226
	<b>Category 5:</b> Waste Generated in Operations	113
	<b>Category 6:</b> Business Travel	168
	<b>Category 7:</b> Employee Commuting	55

**AVOIDED EMISSIONS**

Solar PV generated energy at nine Equites properties during FY22 resulted in 6,101 tCO<sub>2</sub>e of avoided greenhouse gas (“GHG”) emissions. The Group is currently rolling out solar PV across the portfolio and expects to see a larger avoidance of GHG gas emissions in the upcoming year in line with an increased installed capacity of renewable energy.

**RENEWABLE ENERGY**

Equites is committed to increasing the use of renewable energy at all its developments and is currently installing solar PV across the portfolio. This objective is linked to a KPI on a sustainability-linked funding facility that requires a 15% annual increase in renewable energy usage.



## SUSTAINABILITY REPORT CONTINUED

### CURRENT SOLAR PV INSTALLATIONS

DEVELOPMENTS	SOLAR AVOIDED	
	OUTPUT	tCO <sub>2</sub> e
9	5.7 mWh	6 101

PERFORMANCE INDICATOR	RESULT	UNIT OF MEASURE
GRID CONSUMPTION	114 396 424	kWh (electrical)
RENEWABLE (SOLAR) ENERGY PRODUCTION	5 756 096	kWh (electrical)
TOTAL ENERGY CONSUMPTION	120 132 520	kWh (electrical)
RENEWABLE ENERGY PENETRATION	4.79	%

### WATER MANAGEMENT

Equites aims to include rain harvesting systems on properties to mitigate against water stress and to increase their water capacity, while newer developments include water reserve tanks. Storm water systems at newer developments are designed to eliminate excess grease, oil, sediment and litter before draining to onsite retention ponds to alleviate pollution to the groundwater systems. The Group continues to explore solutions that will contribute to better water management practices.

Equites plants and maintains the landscapes at all parks, and landscapes are designed to consist of water-friendly flora to minimise irrigation and promote water conservation.

### WASTE MANAGEMENT

The reduction of waste is the first step in mitigating against the generation of landfill constituents. Equites, in engagement with its clients, has identified dedicated on-site waste separation and management facilities to sort waste by defined category, a downstream value addition to the operational process of the client. At Group level, all waste is sorted before being sent to the landfill, and initiatives to reduce, reuse and recycle is encouraged.

### NATURE BASED SOLUTIONS

To remain at the forefront of incorporating innovative solutions, the Group is currently exploring the installation of off-grid solutions in new developments to incorporate circularity, whereby closed loop systems will generate energy from onsite waste management centres.

### BIODIVERSITY CONSERVATION

Equites has taken responsibility for the preservation of an ecologically sensitive site consisting of a critically endangered species of shrubland endemic to the Western Cape region of South Africa. The preservation of this key ecological area was undertaken as part of a multi-stakeholder committee consisting of the landowner, Equites and other interested and affected parties. The Group considers the conservation of endangered species that are located within the surrounds of influence as an obligation to protect where possible, as part of the Group's corporate responsibility.

### ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

Equites is committed to the implementation of a comprehensive EMS that is in compliance with the ISO14001 specifications or other industry relevant framework, to manage environmental impacts as part of the overall risk management framework.

### PHYSICAL CLIMATE RISK MANAGEMENT

Equites considers climate risk and opportunities in line with the TCFD reporting framework and considers physical climate risk as part of its risk management strategy. Extreme weather events have a direct impact on the Group's developments and stakeholders, and the mitigation of these risks are integrated into the design of all buildings from inception.

A site is assessed to ensure that the appropriate relief measures are considered. These include the selection of land parcels with lower exposure to flood and fire risk, and the outfitting of enhanced structural modifications to cope with the acute impacts of changing weather patterns. Baseline building specifications include flood risk management systems that provide attenuation for peak runoff attributed to 1 in 100-year events.

These climate adaptation strategies minimise disruption and maintain business continuity while providing fiscal benefits through reduced maintenance costs, lesser risk of destruction and increased demand for a sustainable product.



**THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS IN THE VARIOUS AREAS OF OPERATIONS:**



**INVESTING**

Prior to commencing a development, Equites assesses its long-term income-generating ability and how to best manage its potential obsolescence. The Group performs a thorough cost analysis to assess its viability by considering the use of sustainable alternatives and the impact this will have on the value created for the Group, investors, occupants of the building, surrounding communities and the environment.



**SITE**

When assessing a site, Equites considers the interrelationship between the development and surrounding buildings as well as its accessibility to people, industries and the local community. Furthermore, the Group establishes whether the development will lead to loss of greenfield land and what bearing it will have on other amenities.



**COMMUNITY**

Equites works together with the communities around development sites. By engaging with local neighbourhoods prior to the construction of developments, the Group sources local materials and utilises local labour that directly uplifts stakeholders in the area. The use of local resources and limiting travel distances associated with the procurement of labour and materials further reduces the carbon footprint of, and embodied energy in, materials. It is a priority of the Group to maximise the positive impact on communities and the environment in general and to minimise the possible harmful effects from development activities.



**DESIGN**

Equites has adopted EDGE certification for newly developed facilities in South Africa, and aims to incorporate this accreditation into the baseline development specification for all new buildings. The Group constantly endeavours to innovate building design and challenges the professional team to optimise their efficiencies to meet or exceed the sustainability goals set by stringent design criteria and baseline specifications. Development designs incorporate sustainable building features to ensure that there is a minimum improvement of 20% in efficiencies of water, energy and embodied energy materials.



**CONSTRUCTION**

The Group takes cognisance of natural water resources which may be impacted by construction activity and the implications it may have for neighbouring properties and communities. Where possible, materials are either reused, repurposed or sourced from sustainable locations in close proximity to the development without compromising on quality and efficiency. Through a waste-management process, Equites assesses the wastage from construction sites and implements specialised disposal techniques, as necessary.



**OCCUPATION**

The tenant is at the heart of Equites' buildings and Equites ensures that proper care is taken of the indoor environmental quality by using leading EDGE technology to maximise comfort while optimising mechanical ventilation and lighting wherever possible. The Group incorporates tenant aspirations in the design, construction and implementation of effective environmental and building management systems. Through constant communication with tenants, Equites is able to monitor the ongoing impact of buildings and find ways to improve sites. Innovations in sustainable building use include rainwater-harvesting systems and energy-efficient fittings to reduce the overall carbon footprint, which also results in lower maintenance and operating costs for the tenant. Greenhouse gas emissions associated with energy generation is further reduced by using sustainable and renewable energy sources such as solar photovoltaic installations at all developments.

**PLANS FOR THE FUTURE**

Through various sustainable property development initiatives and management activities, the Group aims to develop assets that immediately address current environmental concerns while also meeting the growing sustainability requirements of tenants. By ensuring that these developments continually meet leading sustainability standards and accreditations, capital is deployed in an environmentally responsible manner which brings positive change for stakeholders.

**DATA COLLECTION AND MONITORING**

In the quest to constantly improve internal systems, Equites has enhanced its utility data collection and validation processes with the appointment of a new service provider and real-time reporting functionality. The accurate collection and monitoring of energy and water usage across the portfolio is a key focus area in measuring efficiencies, and the Group considers this an important step in the journey to decarbonising the portfolio.

## SUSTAINABILITY REPORT CONTINUED

### SOCIAL RESPONSIBILITY

#### BROAD BASED BLACK ECONOMIC EMPOWERMENT B-BBEE

#### DIVERSITY, EQUITY AND INCLUSION

#### CAPITALS MAPPED



#### SDG SUPPORTED



#### GRI DISCLOSURE INDICATORS

#### 3-MATERIAL TOPIC

405-1

#### MANAGEMENT APPROACH

The Group recognises the historic inequity within South Africa, and the current high unemployment and income inequality that exists. Equites aims to make a difference through:

- Promoting employment equity and skills development
- Enhancing Black ownership
- Improving procurement practices
- Encouraging enterprise and supplier development

#### DIVERSITY, EQUITY AND INCLUSION

Because the principal operations of Equites are based in South Africa, the Group strives to foster diversity, promote employment equity and encourage skills development. The focus areas are:

- An HR policy designed to promote a workforce that is representative of the demographic of the country. The composition of the workforce is regularly assessed to ensure an inclusive work environment.
- Enhancing black ownership by supporting previously disadvantaged enterprises through Enterprise Development Spend. A KPI of sustainability-linked financing requires a 20% annual increase in Enterprise and Supplier Development spend.

- Improving procurement practices by widening the supplier database to include a higher proportion of previously disadvantaged ethnic groups. The Group engages with an independent community consultant to facilitate engagement with local stakeholders and communities of interest.
- Encouraging enterprise and supplier development through the AmpCore programme.

#### EMPLOYMENT EQUITY AND SKILLS DEVELOPMENT

Equites is committed to skills development and advancement, both internally for its employees and externally for affected communities, suppliers and students. Management is committed to developing and promoting employees by investing in their professional growth. Through on-the-job training and mentoring, scope is created to transfer job-specific skills, which further enhances employee development and promotes continuity in operations. Personal growth is encouraged and the Group advocates employee advancement by identifying areas for improvement and enrolling employees in external training and development courses where beneficial.

**THE GROUP'S APPROACH IS DISCUSSED IN THE 'COMMUNITY DEVELOPMENT' AND 'OUR EMPLOYEES' SECTIONS OF THIS REPORT ON PAGE 47 AND 50.**

#### ENHANCING BLACK OWNERSHIP

In efforts to promote equitable wealth distribution to previously disadvantaged groups, and improve the B-BBEE profile, Equites achieved a Level 3 B-BBEE certification.

The indicator ownership score increased to 26.0 in FY22 from 20.9 in 2021. Black economic interest is 66%, with 34% of this component attributed to black women.

The Group will continue to identify areas where meaningful change can be effected to achieve our objective of being a highly ranked and transformative business.

#### IMPROVED PROCUREMENT PRACTICES

Equites acknowledges that being sustainable is not limited to its own operations and the Group needs to encourage and promote sustainability within its supply chain. Through the Group vendor application and selection processes, as well as the procurement policy, the Group can encourage stakeholders to act responsibly and uphold good working practices, have sound corporate governance practices as well as abide by the applicable laws, regulations and any other guidelines from memberships held with professional bodies. Their competence, industry reputation, quality, certifications held, and commitment to diversity, equity and inclusion practices, are assessed prior to engagement. This enables Equites to maintain a high-quality product offering while advocating ethical industry practices and standards.

Through a regular re-evaluation of procurement processes, Equites aims to increase its focus in the upcoming periods to promote sustainability throughout its scope of influence by encouraging ethical and fair practices in areas such as health and safety, human rights, labour, green procurement and bribery and anti-corruption.

#### B-BBEE SCORECARD

COMPONENT INDICATOR	2022	2021
Ownership	26.00	20.79
Management and control	8.00	8.00
Employment equity	6.63	6.55
Skills development	13.61	15.18
Enterprise and supplier development	30.16	29.84
Socio-economic development	2.00	0.00
Economic development	5.00	5.00
<b>TOTAL</b>	<b>91.39</b>	<b>85.37</b>



## AMPLIFYING CORE POTENTIAL

Equites AmpCore was established in October 2020 as a property management initiative to uplift Small Medium and Micro Enterprises (SMME's) affected by Covid-19. It was envisioned as an Enterprise Supplier Development (ESD) programme and geared towards the assistance and development of local SMME's in various fields of maintenance and soft services.

Based on the success of the programme, its activities are being expanded to become a role player in contributing to the social and economic upliftment of the communities in which Equites operates. As a leading specialised global logistics REIT, Equites believes that the Group is able to make differences that will facilitate social mobility in its areas of influence.

**THE AMPCORE SOCIAL IMPACT PROGRAMME WILL CONTRIBUTE TO SOCIAL AND ECONOMIC EMPOWERMENT THROUGH 4 PILLARS THAT UNDERPIN THE FOUNDATION OF HUMAN DEVELOPMENT AND ALIGN WITH THE OBJECTIVES OF THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UNSDG'S). ENTERPRISE SUPPLIER DEVELOPMENT, SKILLS DEVELOPMENT, EDUCATION, AND COMMUNITY UPLIFTMENT ARE ENABLERS OF SHARED GROWTH AND WORK TOWARDS ACHIEVING THE FOLLOWING SDG'S:**

	<b>NO POVERTY</b>
	<b>ZERO HUNGER</b>
	<b>GOOD HEALTH AND WELLBEING</b>
	<b>QUALITY EDUCATION</b>
	<b>GENDER EQUALITY</b>
	<b>DECENT WORK AND ECONOMIC GROWTH</b>
	<b>REDUCED INEQUALITIES</b>

**COMMUNITY DEVELOPMENT**

**CAPITAL MAPPED**



**SDGS SUPPORTED**



**GRI DISCLOSURE INDICATORS**

**3-MATERIAL TOPIC**

**203-1      203-2**

### MANAGEMENT APPROACH

In South Africa, Equites has adopted an all-inclusive approach to addressing the expansive economic and social equality gaps that exists. The Group aims to make a lasting impact on society through various interventions that focus on:

- Enterprise Supplier Development
- Educational initiatives that provide bursaries and employment opportunities for under-represented groups in the property sector
- Inclusive employment practices
- Community upliftment

In a socio-economic environment that has been characterised by extended periods of low economic growth and high unemployment, inequality has been increased by nationwide disruptions and the impacts of COVID-19. Equites has therefore continued to focus on identifying areas where it can positively impact the communities surrounding developments by providing skills development and empowerment opportunities through the Equites AmpCore programme.

The Group increased its overall score and met its internal target of achieving a Level 3 B-BBEE rating. The improvements in ownership, employee equity, and enterprise and supplier development indicators reflect the commitment to inclusive business practices, while areas that require additional improvement have already been addressed through increased training and the expansion of the bursary programme.

### HUMAN RIGHTS

Equites supports and promotes the United Nations Universal Declaration of Human Rights and recognises the need to embrace the dignity and fundamental rights of humankind to bring about freedom, justice and peace. By proactively being aware of this, all stakeholders are treated fairly and with respect, and the Group does not consciously act in ways that could infringe on anyone's rights or in a manner that they may perceive as being unjustly wronged.

Equites treats the violation of human rights very seriously across the business and if it should arise, such an act will be handled as a matter of priority. Victims of rights abuses will be provided with the necessary support when using the grievance mechanisms available to report such occurrences, to ensure that there is no victimisation and also to find solutions and adapt processes to mitigate against recurrence.

All employees, tenants and suppliers are encouraged to report all acts of known or suspected human rights violations through the anonymous channels available. The Group ensures that all stakeholders are aware of, and comply with, the relevant laws and regulations regarding the protection of human rights and that they conduct themselves accordingly prior to engagement.

The Social, Ethics and Transformation Committee has oversight of this function as part of their Terms of Reference and any incidents are reported to them.

## SUSTAINABILITY REPORT CONTINUED

### PLANS FOR THE FUTURE

#### THEORY OF CHANGE

As a JSE-listed entity, Equites has a corporate responsibility for creating opportunities and driving inclusive and sustainable growth. In low-income communities throughout South Africa, emerging and micro enterprises face hurdles in evolving due to growing industry standards, and stringent company procurement policies. These small businesses often do not have the knowledge, financial means and networks to compete in formal business processes that provide access to opportunities. Through the AmpCore development programme, the Group is focused on bridging these gaps and offering a platform where SMMEs are provided with the necessary support and mentorship that facilitates their growth and inclusion within the broader economic environment.

#### ENTERPRISE SUPPLIER DEVELOPMENT

The AmpCore ESD programme has incubated eight enterprise development partners over a period of two years in constrained economic conditions. The programme was initiated during the lockdown in the Covid-19 pandemic with a single service provider for gardening and litter picking.

The programme consists of two soft service providers, five contractors and one supplier to provide contractual and ad-hoc services within property management. Four vendors are 100% female owned and one 50% female owned, all with Level 1 B-BBEE ratings.

Equites will continue to develop initiatives to promote the development of SMMEs through enterprise and supplier development in property management services with a focus on cleaning, electrical, plumbing and gardening services. The initiative is focused on identifying SMMEs which are able to provide these services, assisting them with training or development, providing administrative support (including obtaining relevant health and safety documents, registration with professional bodies and accounting and statutory assistance), and promoting them to become registered vendors with Equites. This initiative enables SMMEs to diversify and increase their turnover, thereby improving their quality of life, as well as creating scope for their business growth and advancement.

Equites has appointed an independent community employment consultancy and facilitator, which is founded and managed by black women. Their involvement is based on specific guidelines to ensure an equitable distribution of opportunities among communities surrounding Equites' developments, through a transparent process that is aligned with the Equites' participation plan.

A list of trades available for community involvement is scoped on a per construction site basis. These include brickwork, dry walling, fencing, joinery, landscaping, painting, paving, plastering, road marking, site containers, and site security.

Equites continues to support its development partner Damon at Sons Pty (Ltd). During the year they performed construction activities to the value of R22 million for the Group and a further R12.7 million of maintenance work was undertaken through their maintenance subsidiary, DAS Maintenance (Pty) Ltd. Damon at Sons Pty (Ltd) has been mentored from humble beginnings as a small scale building contractor with a staff compliment of 10 including on-site labour, to a fully-fledged contractor with 30 permanent staff that include a project manager, in-house quantity surveyors, and dedicated financial administration and accounts personnel. The administrative staff are provided with desk space in the Equites offices, where they have access to the specialised skill set of the Equites team. The Group believes that the continuous growth of the portfolio in the Western Cape where Damon at Sons are located, will further contribute to the expansion and experience of this empowered enterprise. This will deliver measurable social and economic benefits through increased employment opportunities in the community where this enterprise is located.



#### METRICS

**EQUITES HAS SET A TARGET TO INCREASE THE SPEND ON ENTERPRISE DEVELOPMENT BY 20% PER ANNUM OVER 3 YEARS.**

#### USE OF PROCEEDS

Equites entered into a new sustainability-linked financing facility, under which the interest savings for meeting the defined KPIs will be applied to the sustainability initiatives of the Group.

SUSTAINABILITY-LINKED FINANCING KPI

INTEREST SAVING ON FACILITY USED FOR ESG

SAVING SPENT ON SUSTAINABILITY INITIATIVES

### SERVING OUR COMMUNITY

#### MANAGEMENT APPROACH

A common cause of unrest during construction is poor communication and a non-transparent allocation of opportunities to the surrounding communities. Therefore, in striving for sustainable community involvement during this phase, Equites implemented an inclusive participation plan. This plan ensures that the community involvement process is equitable and transparent. The Group has mandated an independent consultant to identify suitable contractors to be appointed on projects, should the opportunity arise. In the interests of fair representation, the forums from which contractors are sourced are vetted to ensure that they are legitimate and that the broader community considers them to be representative. The appointment of community contractors is thus channelled through the vetted forums. As part of the process, the consultant further investigates ways to assist local SMMEs to grow, and reports on challenges raised and solutions proposed along the way.

Additionally, infrastructure such as roads, water and sanitation, electrical and other improvements built and installed for developments also serve the surrounding areas.

## COMMUNITY INVOLVEMENT

The commitment of Equites to community involvement is carried out by the professional development team, which aims to employ community-based companies through the pre-requisite inclusion of a 20% unskilled and 10% skilled labour component on every development. This creates an understanding of the dynamics in these local communities and by mapping these businesses in the built environment sector, the Group is able to identify or grow skills in these areas.

## COMMUNITY UPLIFTMENT

The Equites Mandela Day initiative supports an early childhood development centre called Kgodisong in Alexandra, Gauteng. Kgodisong is a crèche for 98 children up to the age of six and the Group will be constructing a library to facilitate reading and learning during the formative years of childhood.

**"ONE OF THE SAD REALITIES TODAY IS THAT VERY FEW PEOPLE, ESPECIALLY YOUNG PEOPLE, READ BOOKS. UNLESS WE CAN FIND IMAGINATIVE WAYS OF ADDRESSING THIS REALITY, FUTURE GENERATIONS ARE IN DANGER OF LOSING THEIR HISTORY."** NELSON MANDELA

## PLANS FOR THE FUTURE

Equites will continue to engage with local community forums and drive initiatives for community upliftment and development through the AmpCore social impact programme. The objective is to monitor and evaluate the impacts through a process of ongoing engagement in line with best practice methodologies.



The Group firmly supports the view that education plays a pivotal role in society and creates a lifelong foundation to build on. Advocating initiatives around this is a key priority area and is managed through the Equites partnership with the Michel Lanfranchi Foundation NPC and has expanded its bursary offering from the previous year. The Group offers bursaries to property studies students and engages them in a learnership programme where they are able to spend their vacations employed at Equites and are provided with exposure to all areas of a REIT. This equips previously disadvantaged youth with practical skills to prepare them for work in any aspect of the property industry.

## EDUCATIONAL INITIATIVES

The total spend on education in the bursary programme has been expanded, and the programme now consists of seven students with a total of R1.1 million being disbursed.

Bursaries and learnerships offered:

	2022	2021
Number of bursaries offered	7	1
Value of bursaries offered <sup>1</sup>	R1 135 793	R236 900
Number of learnerships in progress	12	10
Number of learnerships completed during the year	10	10

<sup>1</sup> Bursaries cover study-related fees and accommodation costs

In addition to the funding provided in the form of bursaries, the recipients also receive mentoring and practical business experience that provides them with insight into the corporate world and allows them to put their studies into practice.

**"EDUCATION IS THE MOST POWERFUL WEAPON WHICH YOU CAN USE TO CHANGE THE WORLD."** NELSON MANDELA

## GRADUATES

The first graduate of the bursary programme completed her Bachelor of Science in Property Studies (Honours) at the University of Cape Town in 2022. As the first recipient under the bursary programme and in the absence of a formal vocational framework for students, her request for vacation work was permitted as a pilot phase to evaluate the impact of this on the operational efficiency of the business. She engaged in vacation work over the period of her degree where her skill set was developed as a member of the property development team, and she now plays an invaluable role after being employed in a permanent position.



**"I STARTED DOING VACATION WORK AT EQUITES PROPERTY FUND IN 2019 DURING MY THIRD YEAR OF STUDIES. AFTER COMPLETING MY UNDERGRADUATE STUDIES IN THE FIRST SEMESTER OF 2020, I STARTED AN EIGHT MONTH INTERNSHIP PROGRAMME AT EQUITES, WHICH RAN FROM JULY 2020 TO FEBRUARY 2021. THEREAFTER, MY POSTGRADUATE STUDIES COMMENCED.**

**IN SEPTEMBER 2021 I WAS AFFORDED THE OPPORTUNITY TO APPLY FOR AN OPENING IN THE DEVELOPMENTS DEPARTMENT AS A PROPERTY DEVELOPMENT ADMINISTRATOR. IN THE MIST OF FINAL EXAMINATION PREPARATION AND FINISHING OFF MY DISSERTATION, ONE MIGHT THINK THIS WAS BAD TIMING BUT I BELIEVE THIS COULDN'T HAVE COME AT A BETTER TIME. THE OPPORTUNITY HAS TAUGHT ME EXCEPTIONAL TIME MANAGEMENT SKILLS."**

**JADE MCFARLANE,  
FIRST BURSARY RECIPIENT**

## SUSTAINABILITY REPORT CONTINUED

### INTERNSHIP PROGRAMME

The success of the vacation working programme for the bursary students led to the implementation of the internship programme for young graduates. Graduate students with an academic background in property studies are given the opportunity to gain work experience at Equites for a period of four months and are exposed to all areas of the organisation. This provides the interns with a comprehensive understanding of how a REIT functions and they are mentored to develop their professional skills. The Group believes this contributes to addressing youth unemployment and equips them with a skill set that sets the foundation for future growth.

YEAR	INTERNS	AREA OF STUDY	
		GENDER	STUDY
FY22	4	3 males, 1 female	Property

### PLANS FOR THE FUTURE

Equites will continue to expand the programme in line with the objectives of a social impact framework, where measurable change can be evaluated to assess the contribution of this initiative on historically disadvantaged communities.

### OUR EMPLOYEES

#### CAPITALS MAPPED



#### SDG SUPPORTED



#### GRI DISCLOSURE INDICATORS

3 - MATERIAL TOPIC	
401 - 1, 2A	404 - 1A, I
403 - 1A	404 - 2

### MANAGEMENT APPROACH

The ability of an organisation to succeed is made possible by the employees. The strength of Equites lies in the consistent ability to bring together the team's unique talents and capabilities in a collaborative environment where they can formulate innovative and effective solutions.

### TALENT ACQUISITION AND EMPLOYEE PROFILE

Equites' driven and engaged team members represent multiple disciplines and are determined to perform at their best. The Group has a wide representation of skills, gender, experience and diversity in the organisation, and employee profiles are considered based on transformation initiatives when seeking talent to join the team. By promoting an organisational culture where different views, backgrounds and experiences are embraced and used to engage professionally and constructively, Equites is able to maximise on the talents of each employee. Despite having operations in the UK, the workforce is primarily based in South Africa.

### EMPLOYEE WELLNESS

Employee wellness and safety are at the forefront of efforts to promote a thriving work environment. Equites continues to ensure that all employees are well-equipped with the necessary resources to keep them safe. This supports the commitment to create a work environment in which employees feel appreciated, protected and are able to see their contribution to the Group's value-creation model.

Through the leave policy, wellness assessments and flexible work hours, Equites aims to ensure that employees can manage their personal commitments with work and maintain a balanced lifestyle. Equites encourages a lifestyle-based corporate culture with frequent outdoor activities that includes walks, hikes, runs, yoga sessions, and informal afternoon get togethers, which are open to all team members.

The Group subsidises private medical aid benefits for all staff. Through the extensive health and safety processes and procedures, the safety feasibility of projects are assessed from an occupational health perspective before being undertaken. A project will not be pursued if it presents health and safety risks to staff.

### TRAINING, DEVELOPMENT AND EMPLOYEE RETENTION

Management is committed to developing and promoting employees by investing in their professional growth. Through on-the-job training and mentoring, scope is created to transfer job-specific skills, which further enhances employee development and promotes continuity in operations. Furthermore, Equites supports and advocates employee advancement by identifying areas for improvement and enrolling employees in external training and development courses where beneficial. Employees are encouraged to participate in all training mediums including webinars and other digital platforms to improve their knowledge and develop their independently defined growth trajectories.

Through annual performance reviews, employees' functions are aligned to the Group's strategic objectives and are able to effectively monitor and address areas where development is needed. This process also allows employees to perform a critical self-evaluation against key performance areas, and it has proven to be an effective mechanism for identifying areas of growth and self-development.

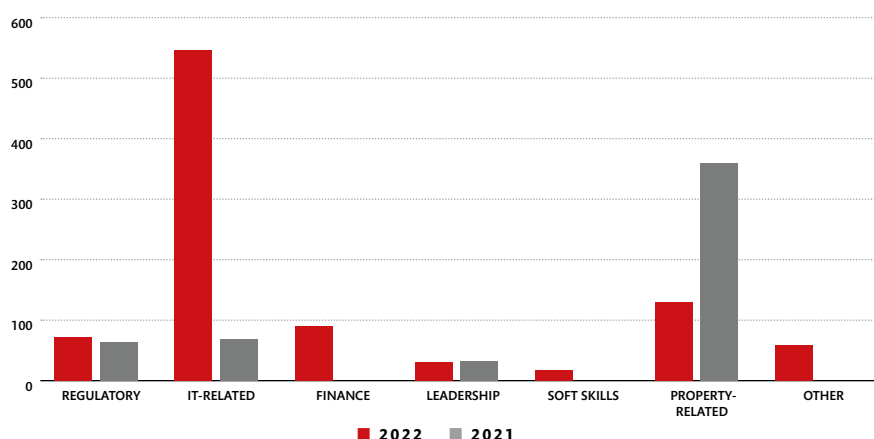
Through internal mentorship and on-the-job training as well as external training, the Group has seen an increase in the time spent on training and development.

A summary for the year is as follows:

METRIC	2022	2021
Total training hours	933	525
Average training spend per employee	R16 642	R15 766
Black employee training as a % of total hours	66.1	67.1

Training was conducted in the following areas:

**TRAINING HOURS**



Note: IT-related training includes Cyber Security, computer literacy and software specific training.

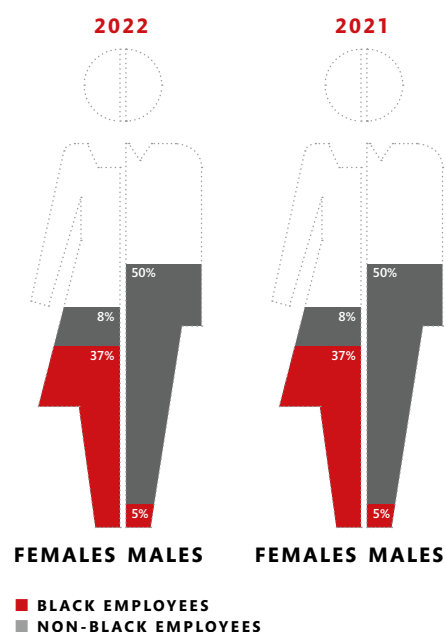
TRAINING HOURS	2022	2021
Male	391	112
Female	542	413

**RECOGNITION AND REWARD**

Equites aims to sufficiently remunerate employees in accordance with market expectations and with consideration of the person's skills, role and performance in the organisation. The annual performance cycle enables management to highlight areas of development and reward excellence. Furthermore, through regular engagement with staff, management aims to understand their needs and assist them to optimise performance and self-development.

The Group follows a compensation mix of fixed pay benefits, performance-linked variable pay and a conditional share scheme. Individual pay is determined by both Group and individual performance. There is no prejudice in the remuneration of employees against gender, race, ethnicity, religion, sexual orientation or social identity. Equites has implemented an online appraisal platform where each employee can define their own goals and are supported in this by the management team to ensure that achievements are recognised. The short term remuneration scheme rewards employees who have met their KPIs with an annual bonus, through a process that is supportive and consists of ongoing feedback. The long-term incentive is measured on individual KPI's and the Group's performance over a three year period. This is remunerated in the form of share awards in Equites. The following depicts the demographic split for pay in the current year.

**REMUNERATION GENDER SPLIT**



**FOR MORE INFORMATION ON THE REMUNERATION OF DIRECTORS, REFER TO THE REMUNERATION REPORT ON PAGE 90.**

# SUSTAINABILITY REPORT CONTINUED

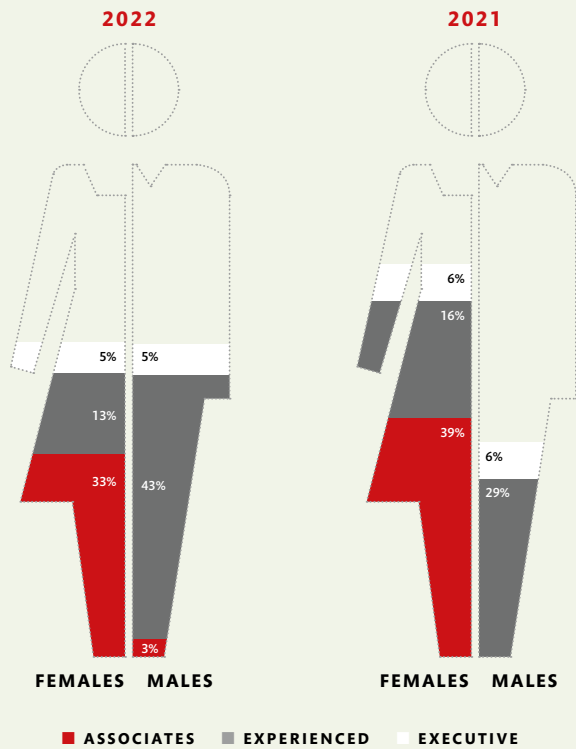
## METRICS

### TALENT ACQUISITION AND EMPLOYEE PROFILE

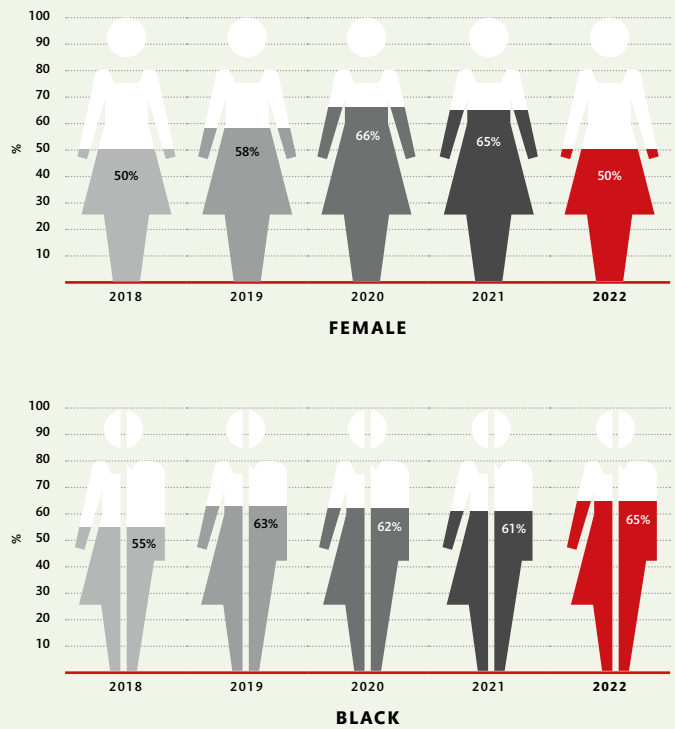
Due to the nature of operations and high-performing culture of the organisation, Equites is committed to sourcing the best talent and focusses on hiring high-calibre individuals. The total workforce at 28 February 2022 was 40 permanent employees (2021: 31). During the year under review Equites appointed 13 (2021: 6) new employees and 4 (2021: 4) employees left the Group. The nature of the joiners and leavers were as follows:



### WORKFORCE DEMOGRAPHIC



### EMPLOYEE COMPOSITION



## EMPLOYEE SAFETY

Through the development and operational teams, Equites consciously identifies, monitors and responds to any health and safety issues that arise. No work-related injuries were reported during the year, consistent with 2021 and in line with its target.

	2022		2021	
	# OF EMPLOYEE INJURIES	% OF EMPLOYEE INJURIES	# OF EMPLOYEE INJURIES	% OF EMPLOYEE INJURIES
Total number of work-related injuries reported as a % of total workforce	0	0%	0	0%
Total fatalities	0	0%	0	0%
Total work force (number of employees)	40	0%	31	0%

## PLANS FOR THE FUTURE

Equites will continue to prioritise the health and safety of employees and place their well-being at the forefront of operations. Through the continued investment in employee development and learning, the Group endeavours to maintain a high-performing work culture that encourages self-advancement and in turn enhances the Group's performance. Through the talent acquisition and talent management functions, Equites will continue to align current employees and new hires to the strategic objectives of the Group and ensure that remuneration is commensurate with the role and responsibilities of the individual. Equites will expand the bursary and internship programme to train and provide skills development to newly qualified graduates in the built environment sector. This mechanism will empower first time job seekers with exposure to various areas of the Group's operation and additionally develop a pipeline of talent for the future.

## CUSTOMER-CENTRICITY

### CAPITALS MAPPED



### SDG SUPPORTED



### GRI DISCLOSURE INDICATOR

2-29-A-11	416-1
3	416-2

## MANAGEMENT APPROACH

The Group's tenants are the main pillar of Equites' business and the importance of building long-standing relationships based on trust and consistency is a key tenet of the business. As such, customer-centricity is at the forefront of efforts and the Group continuously seeks opportunities to assist tenants by effectively enhancing their supply chain. By following a proactive communication approach, the Group can innovatively tailor its offering and continuously monitor tenants' needs, thereby creating predictability and stability in their operations. To do this Equites focuses on the following areas:

- Determining tenant needs
- Devising innovative ways to meet their requirements
- Continuously monitoring and identifying improvements
- Ensuring that health, safety and tenant confidentiality are maintained

The development and property management teams validate that a property meets the requirements of a tenant, is in accordance with the development specifications and adheres to health and safety regulations in that jurisdiction. The focus is on high-quality, A-grade tenanted logistics facilities, and looking after tenants' needs allows the Group to create a niche brand that people can rely on. The importance of tenant confidentiality and safeguarding their privacy and data in all transactions is key to the organisation. Strategic partnerships and a focused approach have allowed the Group to grow the tenant base in the 2022 financial year despite tough economic conditions.

## ASSISTED MAINTENANCE PROGRAMME FOR TENANTS

The Group launched an assisted maintenance programme to aid tenants by ensuring that they meet their maintenance obligations in respect of their lease obligations. Equites' operational managers assist with the servicing and maintenance of major building elements on behalf of tenants. This reduces the maintenance administrative burden on tenants and ensures that the buildings are well-maintained.

## METRICS

Prior to occupation, a full combined inspection of a property is conducted by Equites and the tenant. A health and safety check is performed on the property to confirm that the strictest standards have been adhered to and that the building is safe for occupation in line with established health and safety policies that adheres to globally recognised safety standards. There have been no reported incidents related to health and safety issues on any Equites site during the year.

Due to ongoing monitoring and communication with tenants no complaints or instances of breaches to customer privacy or loss of customer data were reported.

**INFORMATION ON SUCCESSFULLY COMPLETED AND OCCUPIED DEVELOPMENTS AS WELL AS ONGOING DEVELOPMENTS ARE OUTLINED IN THE MANUFACTURED CAPITAL REPORT ON PAGE 28.**

## SUSTAINABILITY REPORT CONTINUED

### DELIVERING SUSTAINABLE VALUE DEVELOPMENT OBJECTIVES AND TARGETS

Based on the recommendations of the sustainability audits undertaken as part of the product governance programme, Equites will work together with tenants in implementing the necessary measures to improve the existing portfolio and enhance the buildings' sustainability features with the goal of moving towards a holistically greener portfolio. There are established targets and metrics to reduce the energy and water usage by a minimum of 20% and increase the utilisation of renewable energy by 15% per annum across all the Group's developments.

### SHARED VALUE

Equites recognises that its success and that of its stakeholders is intrinsically linked. The Group has therefore adopted a forward-looking approach to ensure the sustainability elements of developments conform to recognised and measurable international standards. This provides the assurance to tenants of the Group's commitment to climate change mitigation strategies and positively contributes to sustainability initiatives. These are undertaken within the auspices of the Product Governance Programme that forms part of the risk management framework of the organisation.

### PRODUCT GOVERNANCE

Through the regular assessments of the Group's sustainability linked metrics pertaining to developments, Equites has implemented an Eco-Efficiency programme in order to identify areas of intervention. As part of this programme, Equites has provided tenants with a comprehensive sustainability audit report detailing the interventions that can be undertaken to realise savings on both energy and water usage. Where necessary, specific energy and water measurement tools are installed to identify areas that may require behavioural and/or technological change. This provides the tenant with a range of options that they can be implemented in order to realise sustainable outcomes. The property development team and ESG function works closely with tenants to determine mutually beneficial solutions.

Equites considers this to be a significant factor in shared value, and by retrofitting existing developments with solar PV, energy efficient lighting, and improved water management devices, these enhancements prolong the life of the asset with positive benefits for clients through reduced utility consumption and costs.

### VALUE CREATION

Equites is committed to providing value to its people, the environment and the communities within which it operates. The Group focuses on quality and environmentally conscious developments which fulfil tenants' specifications and ensure that buildings comply with leading international specifications in term of design, and energy and water efficiencies and low environmental footprint. Equites is committed to responsible procurement practices and, where possible, supports local communities to ensure that surrounding neighbourhoods are beneficiaries of economic and social empowerment.

The property development team works in consultation with tenants to determine the most efficient and cost-effective ways to enhance their experience and contribute to their requirements, which include sustainability measures and product expansion.

### OCCUPIER SATISFACTION ENGAGEMENTS

The overall satisfaction of tenants is of key importance to Equites, and regular engagements with clients are undertaken to understand their needs and manage their expectations. Both the executive and the property management team provide constant oversight to ensure all tenant requirements are addressed. These interactions identify areas of improvement, resolve queries and ensure continuity of the relationship with tenants.

The meetings are conducted bi-annually and feedback is provided to the executive and the Board on the outcomes of the engagement. Additionally, an online survey is sent out that requests feedback on various aspects of the tenant experience, including maintenance, service delivery and responsiveness amongst other indicators. These results are collated through an automated process and the results shared with the management team.

Equites is finalising a tenant training plan whereby the importance of Occupational Health and Safety regulations dealing with best practice are provided to tenants.

### PRODUCT SAFETY

Equites considers the safe operating environment of all its developments to be of paramount importance, and strict procedural checks pertaining to every aspect of the building is contained in an operational manual. Regular checks based on the maintenance schedule are conducted by the property management team to ensure that all maintenance has been successfully completed based on the lease agreement, and that the applicable quality protocols have been followed. Equites has a zero-tolerance approach for safety risks.

### SAFETY ASSESSMENTS

Prior to occupation, a full combined inspection of a property is conducted by Equites and the tenant. A health and safety check is performed on the property to confirm that the strictest standards have been adhered to and that the building is safe for occupation. These are conducted as part of the take-on/take-back process under the Operational Management Plan.

The take-back inspection is conducted with the exiting tenant to ensure that Equites receives all service records and that all the wear and tear has been made good to the extent that the premises are acceptable to the next tenant, to enable them to take over maintenance of the property in accordance with the stipulations of the lease agreement.

The take-on inspection is conducted with the incoming tenant so that they may highlight any items that the landlord needs to remediate, before assuming responsibility for the building per the lease agreement.



Property remediation projects are undertaken by the property management team to rectify structural or other large scope damages on existing buildings and building elements. The remediation process is based on the procedures of the Developments & Projects Department and reports on progress at regular update meetings. The elected engineer is appointed by the operations manager after being approved by management.

### **REGULAR EXTERNAL PRODUCT SAFETY AUDITS**

All developments are subject to ongoing monitoring. An annual structural assessment is undertaken by an independent professional service provider, and the building maintenance schedules are inspected to verify that the manufactures servicing guidelines have been followed.

### **PLANS FOR THE FUTURE**

The Group will remain focussed on timeously addressing issues raised by tenants, attracting and retaining new high-quality tenants, ensuring compliance with strict health and safety standards, and maintaining confidentiality and data protection.

The Group will enhance the mechanisms through which tenants can voice their concerns, such as surveys and promoting open communication through quarterly face to face meetings that include discussions on aligning the respective sustainability objectives.



## SUSTAINABILITY REPORT CONTINUED

### GOOD GOVERNANCE

#### CAPITALS MAPPED



#### SDG SUPPORTED



#### GRI INDICATORS DISCLOSED

3 - MATERIAL TOPIC

### MANAGEMENT APPROACH

Equites understands that a trusted brand and respectable reputation are underpinned by an ethical foundation that starts with a business's leadership. Acting with integrity and maintaining high ethical standards are critical and this is held in high regard throughout the organisation.

Ethical conduct is the cornerstone of the organisation, and the Group is committed to fair and ethical practices both within the organisation and towards stakeholders. Through recognising the importance of a sound ethical base, Equites aims to uphold the highest ethical standards throughout the Group. Being a good corporate citizen is of paramount importance and is prioritised at all times. This endeavour is led by the Social, Ethics and Transformation committee that provides direction and guidance regarding the organisation's approach to ethics and maintaining a sound ethical culture. The Group subscribes to the King IV Code on Corporate Governance in South Africa and has aligned its governance processes with the 11 principles espoused by the Code. Equites believes that the King IV framework aligns with the UK Corporate Governance Code published by the Financial Reporting Council, which sets out the standards of good practice for listed companies on Board composition and development, remuneration, shareholder relations, accountability and audit.

The oversight of ESG falls under the auspices of the Social, Ethics and Transformation committee. The Group is committed to achieving the highest standards in governance and the executive is committed to ensuring that Equites is a leading ESG standard-setter in the industrial logistics and warehousing sector.

### BRIBERY AND CORRUPTION

The Group has a zero-tolerance approach towards fraudulent and illegal activity. The Risk and Capital committee oversees the risk management process and regularly reviews updates to the risk register. This enables the Group to monitor, manage and eliminate areas of risk through controls, processes and procedures. The Group has documented policies and procedures for detection and reporting of bribery, corruption and money laundering. Through the ethics defender whistleblower programme, all stakeholders are encouraged to report any unethical or suspicious activity throughout the organisation.

Equites has implemented policies on Bribery and Corruption, Gifts and Entertainment, Code of Business Ethics and Insider Trading in line with global best practice. The Group's business strategy and operations are regularly reviewed and updated to include new developments in these areas. The employee handbook is updated continuously as the organisation evolves. All staff, including new employees, receive training to ensure that each employee is aware of, and compliant with, the ethical code of the organisation as set out in the handbook. The whistleblower programme allows for staff and external parties to anonymously report any incidents of bribery or corruption, and all submissions are directly received by the Board.

#### METRICS FOR THE PERIOD

	2022	2021
Reported incidents of fraudulent/corrupt activities	0	1
Reported incidents of human rights violations	0	0
Reported incidents of breaches of ethical practices	0	1

### REGULATORY COMPLIANCE

All new developments comply with the prescribed standards contained within national legislation of the respective operating jurisdiction. In South Africa, all developments comply with the South African National Environmental Management Act (NEMA) and are subject to Environmental Impact Assessments in line with regulations. Construction only commences upon the approval of an Environmental Impact Authorisation (EIA) by the prevailing authority and

a site-specific Environmental Management Plan (EMPr). During the building process, all sites are monitored by an independent Environmental Control Officer who submits a monthly report to the Equites Property Development team. This team logs any breaches and engages with the responsible parties to ensure that the proper corrective action is taken to remedy the infringement. Should a contravention persist, this would be reported to the Risk Committee of the Board.

To comply with the South African National Environmental Management: Air Quality Act, 2004 National Greenhouse Gas Reporting Regulations, Equites will submit an independently verified annual National Greenhouse and Energy Report (NGER) to the Department of Forestry, Fisheries and the Environment where required.

### INTERNAL AUDIT AND RISK MANAGEMENT

Risk management at Equites is overseen by the Risk Committee, which monitors various risk metrics and executive response to identified risks, by use of a risk register which includes Strategic Risk, Reputational Risk, Operational Risk, Financial Risk and Climate Risk.

A robust control environment is managed through structured policies and procedures, organisational structure and Board oversight. Equites has established a risk based internal audit function which reports functionally to the Group's Audit Committee and administratively to the Chief Financial Officer. The internal audit function's scope and objectives include providing assurance on the adequacy and effectiveness of the Group's governance, risk management and internal control environment, responding to the changes in the risk landscape of the Group.

**MORE INFORMATION ON INTERNAL AUDIT AND RISK MANAGEMENT IS PRESENTED IN THE RISK MANAGEMENT REPORT ON PAGE 74.**

### PLANS FOR THE FUTURE

Equites will continue to monitor its stakeholders to confirm that there are no issues of non-compliance, violations or unethical practices. In the case of new engagements, the Group will assess the conduct of stakeholders prior to pursuing a professional relationship with them. Furthermore, it will ensure that all reported incidents are handled as a matter of urgency, and that they are addressed with the appropriate actions taken.

## FINANCIAL VALUE

### CAPITAL MAPPED



### SDG SUPPORTED



### FINANCIAL PERFORMANCE

The benefit of driving sustainable value throughout the organisation is that the Group's financial performance benefits shareholders and the wider value chain.

Equites aims to constantly communicate its strategy, targets, and plans for the upcoming periods to its stakeholders. This ensures that they are informed of, and aligned with, its operations.

Effective balance sheet management and capital structure focus have allowed the Group to maintain consistent, stable returns for shareholders. Despite the adverse conditions that prevailed in the 2022 financial year, the Group was able to generate a healthy distribution and increase in NAV.

**MORE INFORMATION ON THE DISTRIBUTION TO SHAREHOLDERS, THE KEY RATIOS OF THE GROUP AND PERTINENT FINANCIAL METRICS ARE PRESENTED IN THE FINANCIAL CAPITAL REPORT ON PAGE 22.**

### SUSTAINABILITY-LINKED FUNDING

The Group entered into the first green loan in the African real estate sector with RMB of R225 million for the construction of two high specification IFC EDGE (Excellence in Design for Greater Efficiencies) certified green buildings in Gauteng, South Africa.

Equites concluded a R2 billion debt, refinance, and upsize package with Standard Bank which comprised of an R800 million three-year sustainability-linked unsecured bond, a £50 million two-year sustainability-linked loan (including a £25 million upsize), and a R221 million three-year loan. The deal is the first pound sterling denominated sustainability-linked loan in the South African REIT sector and the first GBP denominated loan in South Africa with sustainability-linked features.

Through the Groups ongoing sustainability initiatives, pioneering in this space has been one of Equites' significant achievements, and the Group will continue to identify alternative sources of funding aligned to these goals in the future.



EQUITES PARK – RIVERFIELDS, GAUTENG

## SUSTAINABILITY REPORT CONTINUED

### TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE

On the recommendation of the Social, Ethics and Transformation Committee, the Board unanimously agreed to support the adoption of the TCFD standard as a reporting framework to disclose climate related financial risks and opportunities. Based on the guidelines contained within the framework, Equites has incorporated various elements of the TCFD into its internal processes and procedures and has included this inaugural disclosure in the FY22 annual report. The Group considers this reporting process to be an iterative journey, and future reporting will incorporate all recommendations of the framework.

### TCFD ADOPTION OVERVIEW

- Equites established an inter-departmental ESG steering committee.
- The Social, Ethics and Transformation Committee were mandated to oversee the ESG functions of the Group
- The Group engaged with specialist environmental consultants to initiate sustainability audits across the portfolio in order to identify efficiencies that will reduce energy and water consumption in line with EDGE green building standards.
- A specialised carbon consultant was commissioned to undertake a carbon footprinting exercise across the portfolio in order to establish a baseline footprint to guide the implementation of targets and metrics to reduce these emissions.
- The Group considers the risks and opportunities presented by climate change through a double materiality approach.

### GOVERNANCE

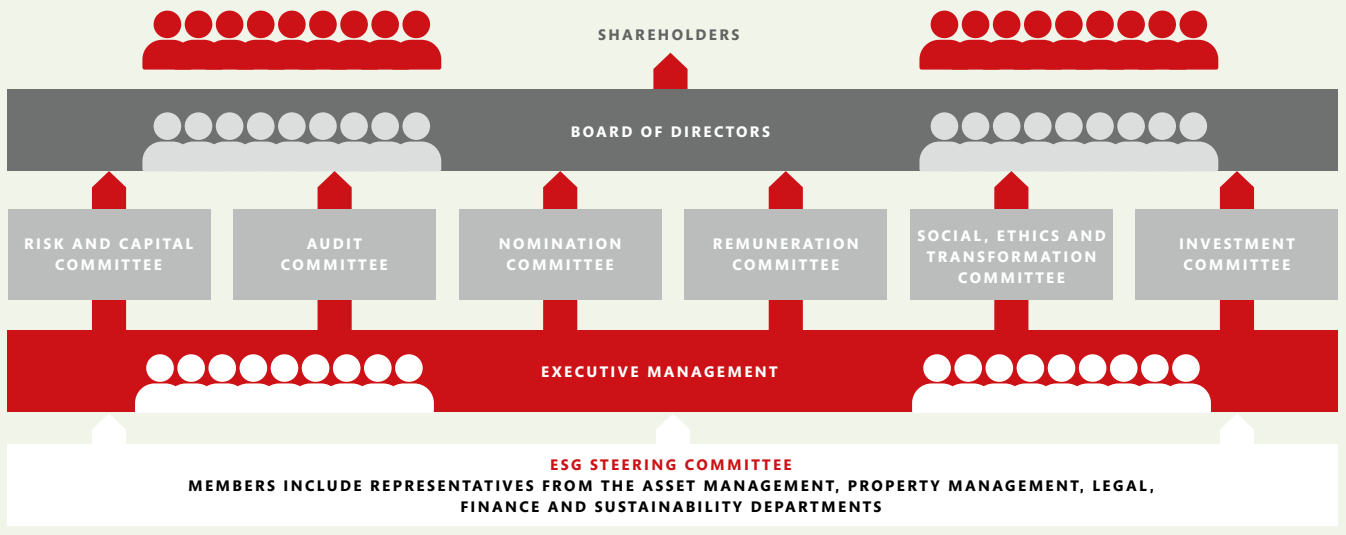
#### OVERSIGHT OF CLIMATE RELATED RISKS AND OPPORTUNITIES

Equites has appointed an ESG officer to drive the sustainability agenda under the aegis of the Social, Ethics and Transformation Committee. This function is responsible for ensuring that climate risks and opportunities are identified and communicated to all stakeholders, in order to implement the necessary interventions that will mitigate these risks and unlock additional enterprise value.

#### ASSESSING AND MANAGING CLIMATE RELATED RISKS AND OPPORTUNITIES

The executive has managerial oversight, which is characterised by frequent interactions on sustainability in a transparent feedback process. This mechanism ensures that there is an alignment with the strategy of the Group and informed decisions are based on material information. The ESG function communicates with clients to determine alignment with their sustainability objectives and provide insight into the Group's approach to minimising its climate risks and interventions that will allow all stakeholders to meet their objectives and goals.

Equites participates in industry initiatives on climate change through its representation on the ESG advisory committee of the SA REIT Association.



## STRATEGY

### CLIMATE RELATED RISKS AND OPPORTUNITIES

#### SHORT TERM

##### RISKS

- Lower demand and depressed revenue from tenants seeking higher rated sustainability facilities
- Loss of blue chip tenants and multinationals seeking sustainable facilities – diminished tenant profile
- Reputational risk from lack of sustainability initiatives and non-green certified developments
- Increased vacancies due to tenants seeking efficient buildings

##### OPPORTUNITIES

- By installing Solar PV across the portfolio with no costs for this power levied to the client, there will be an increased demand from clients requesting energy efficient developments
- The Implementation of improved water management systems will result in lower water usage and costs for the occupier
- Improved rental income from green certified buildings
- Higher demand for developments due to reduced costs from occupying energy and water efficient facilities

#### MEDIUM TERM

##### RISKS

- Slow rollout on sustainability enhancements
- Clients unwilling to adopt sustainability measures as part of triple net lease
- Transition risks to climate proofing existing facilities
- Passive reduction in GHG emissions
- Low impact of physical climate risk due to changing weather patterns

##### OPPORTUNITIES

- Increased demand for developments that are green building certified
- Lower vacancy rates in the portfolio
- Improved tenancy profile
- Increased funding opportunities that provide additional incentives for ESG integration through use of proceeds mechanisms
- Lower financing costs for sustainable buildings

#### LONG TERM

##### RISKS

- High capital expenditure to retrofit existing facilities in order to qualify for green building certification
- Non-adaptation of the total portfolio could result in Group sustainability profile losing credence by ESG rating agencies
- Investor confidence is reduced due to low component of sustainable developments in portfolio
- Risk of stranded assets due to high retrofitting costs

##### OPPORTUNITIES

- Lower funding costs contributes to improved financial performance
- An established track record in sustainable solutions cements Equites as the benchmark within the logistics warehousing sector globally
- The inclusion in sustainability investor universes results in higher investor demand for Equites in sustainability linked portfolios

### IMPACT OF CLIMATE RELATED RISKS AND OPPORTUNITIES ON THE ORGANISATION, BUSINESS STRATEGY AND FINANCIAL PLANNING

- The strategy of the Group is to be a leading sustainable global specialised logistics REIT. The portfolio is developed and managed to ensure it remains resilient to climate related risks and is scoped to leading green building specifications from inception
- The risks of clients not adopting the proposed sustainability measures to enhance the developments profile may lead to higher capital expenditure costs, as the business will have to fund the implementation to ensure that its own sustainability targets are achieved, i.e. reduction in Scope 1, 2 and 3 carbon emissions
- An expected increase in capital expenditure to transition the portfolio toward the EDGE green building certification standards, in line with the sustainability targets and objectives for existing developments, will result in the increased value of properties owned. The expenditure is a requirement to ensure that all developments are retrofitted with improved energy and water efficiencies. This will lead to an improved valuation over the longer term as

a green premium can be applied for low carbon developments certified to leading global standards

- As described under the above risks and opportunities, all occupancies are signed on a triple net lease. A customer-centric approach has been adopted for existing developments, and stakeholder engagement is central to all sustainability interventions. Based on the tenancy profile, the Group considers this to be a low risk and presents an opportunity, due to these clients having to meet their own sustainability objectives. Increased engagement could result in lease extensions and long term value unlock for the business

#### DIVESTMENTS

- The exit of shareholders due to sustainability-linked mandate restrictions is considered a low risk for the Group. An increase in the number of green building certified developments and increasingly lower carbon emissions through the installation of renewable energy presents an opportunity for Equites. Energy security in South Africa is a key consideration for tenants and the provision of free solar energy is an attractive value proposition for current and future tenants

#### ACCESS TO CAPITAL

- The pivot toward low emission investments is driving capital markets to place greater consideration on the sustainability elements of project funding. This has resulted in better access to capital for environmentally and socially minded enterprises with preferential terms of funding offered. Equites has committed to ensuring that all new development meet the EDGE green building certification standard in South Africa and BREEAM "Very Good" level in the United Kingdom. The result of these initiatives has provided the Group with sustainability-linked funding on its lending facilities that provide lower financing rates and incentives on achieving sustainability linked KPI's

## SUSTAINABILITY REPORT CONTINUED

### RISK MANAGEMENT IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

- A professional environmental service provider was commissioned to conduct sustainability audits across the portfolio and propose interventions that will qualify these developments for EDGE green building certification.
- A specialised carbon emissions consultant was mandated to conduct a carbon footprinting exercise and establish a baseline that will guide reduction targets for Scope 1, 2 and 3 emissions in line with GHG Protocol standards.
- For all building acquisitions and new developments, sustainability considerations are incorporated into the due diligence process to identify and mitigate against physical climate related risks.

### PROCESSES FOR MANAGING CLIMATE-RELATED RISKS

- All developments are designed to meet stringent regulatory building standards, and environmental risk assessments are conducted during the planning phase. There is an increased awareness across the Group for maintaining high sustainability standards in all its developments.
- The Group's baseline specification for all new builds is the EDGE and BREAM green building certification standards.
- The Group has appointed an ESG Officer to monitor, address and report on climate related risks and formed an inter-departmental ESG steering committee.

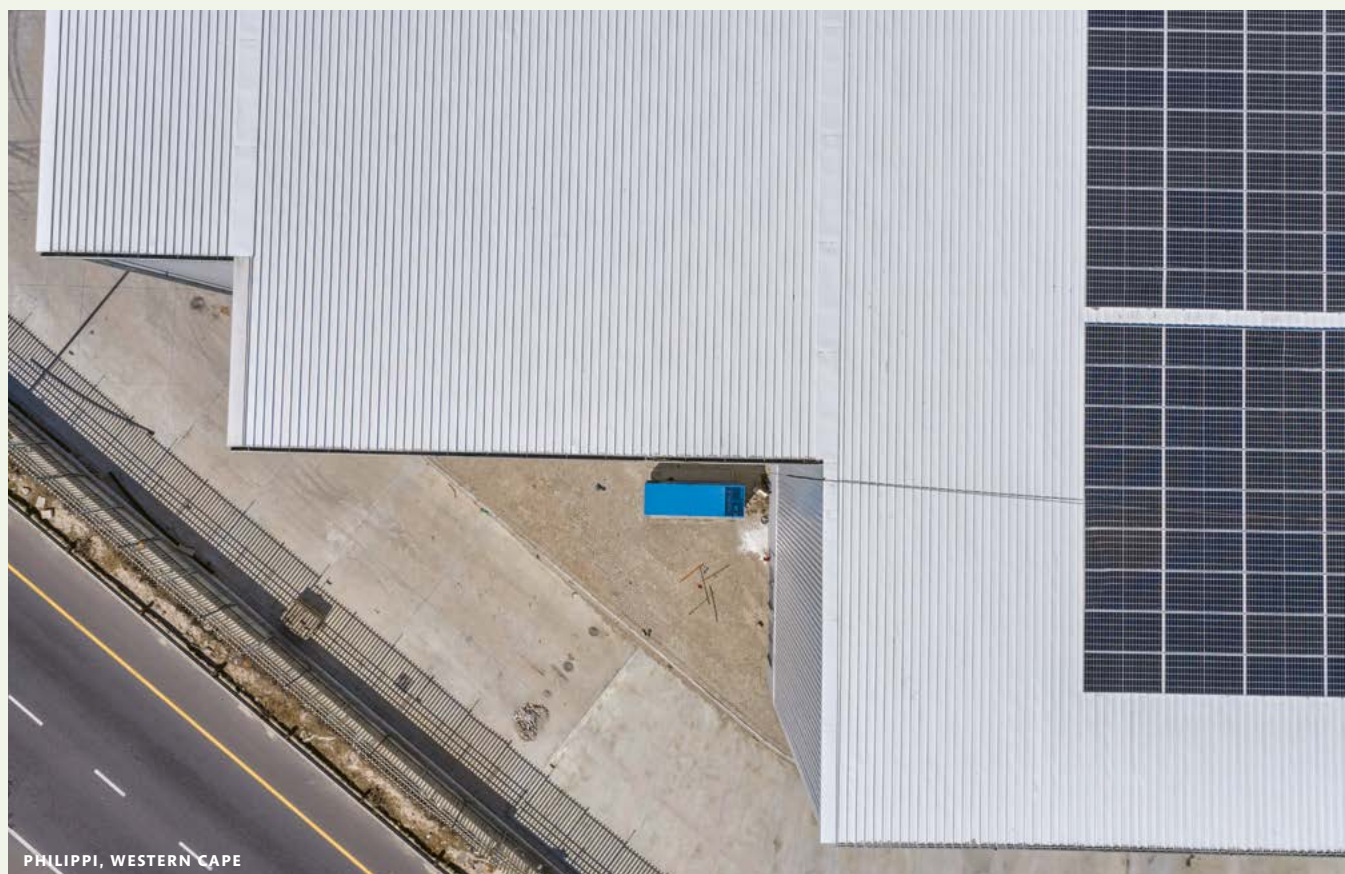
### INTEGRATION OF CLIMATE RELATED RISKS IN OVERALL RISK MANAGEMENT FRAMEWORK

- Climate related risk is included in environmental risk under the risk management framework. As part of this process, any issue is raised with the executive in charge to ensure that it is efficiently addressed.

### METRICS AND TARGETS METRICS TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES

The following metrics and targets have been identified in line with the Groups strategy and risk management processes.

METRIC	CLIMATE RELATED RISK	ASSESSMENT OF RISK
<b>REVENUE</b>	<ul style="list-style-type: none"> <li>■ Climate risk awareness and regulatory requirements pivot clients to climate resilient buildings</li> <li>■ Lower rental income from less efficient buildings</li> </ul>	<ul style="list-style-type: none"> <li>■ The increased integration of ESG into business strategy and processes lead clients to seek buildings that are more sustainable</li> <li>■ High climate risk buildings result in increased vacancy rate</li> </ul>
	<b>INVESTMENT PROPERTY</b> <ul style="list-style-type: none"> <li>■ Physical climate risk</li> <li>■ Stranded assets</li> </ul>	<ul style="list-style-type: none"> <li>■ Increased business interruption and damage across operations and supply chains with consequences for input costs, revenues, asset values, and insurance claims</li> <li>■ Increased wear and tear on the building, and increase in recurring operational costs, and property devaluation</li> <li>■ Developments that are too costly to retrofit or are harmful to the environment</li> </ul>
<b>LOANS, CAPITAL AND FINANCING</b>	<ul style="list-style-type: none"> <li>■ Reduction in available funding</li> <li>■ Higher financing costs</li> </ul>	<ul style="list-style-type: none"> <li>■ Financial institutions and investors prefer firms that have clear climate change mitigation measures in place</li> <li>■ Developments that do not meet green building certification standards will not qualify for preferential financing options</li> </ul>
<b>COSTS AND EXPENDITURES</b>	<ul style="list-style-type: none"> <li>■ Transition costs</li> <li>■ Increased input/operating costs</li> </ul>	<ul style="list-style-type: none"> <li>■ Increased capital expenditure to retrofit existing developments and decarbonise</li> <li>■ Increased expenditure for sustainability interventions</li> </ul>



PHILIPPI, WESTERN CAPE

**GREENHOUSE GAS EMISSIONS**

Equites GHG Gas emissions for FY22 are as follows.

**CARBON EMISSIONS**

SCOPE	SOURCE	TONNES CO <sub>2</sub> E FY22
SCOPE 1	Stationary Fuels (Diesel)	1.4
	Fugitive Emissions (Kyoto gases)	—
SCOPE 2	Purchased Electricity Location Based	98
	Purchased Electricity Market Based	98

The current scope 1 and 2 emissions will be offset by the use of renewable energy in FY23.

The Group has also applied for renewable energy tariffs for energy sourced from a wind farm owned by the utility provider and considers the current emissions to be low risk.

SCOPE	SOURCE	TONNES CO <sub>2</sub> E FY22
SCOPE 3	Category 1: Purchased Goods and Services – Water	280
	Category 2: Capital Goods – Construction	57 226
	Category 5: Waste Generated in Operations	113
	Category 6: Business Travel	168
	Category 7: Employee Commuting	55

**TARGETS TO MANAGE CLIMATE RELATED RISKS AND OPPORTUNITIES**

**RENEWABLE ENERGY CONSUMPTION TARGET**

A 15% increase in renewable energy usage per annum over 3 years.

**NEW BUILDING DEVELOPMENTS TARGET**

100% of all new developments to be built according to EDGE or BREEAM green building certification standards in South Africa and United Kingdom respectively.

**EXISTING PROPERTIES TARGET**

The Group has targeted to retrofit R500 million of existing properties to the EDGE green building certification standard in 2023, and a cumulative R1 billion by September 2024.



ISLAND ROAD, READING, UK





# GOVERNANCE

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# CORPORATE GOVERNANCE REPORT

Equites believes that effective corporate governance and disclosure serve the long-term interests of the Group, shareholders and other stakeholders. Effective corporate governance is deemed essential for the Group to achieve its long-term strategic goals. The implementation of the governance framework ensures that shareholders can hold directors accountable as their representatives, and in turn, directors can hold management accountable, with each of these constituents contributing to balancing the interests of the Group's varied stakeholders.

In addition to fully embracing the principles embodied in King IV, Equites has embarked on a process to redefine its governance framework. The purpose of this framework, amongst others, is to:

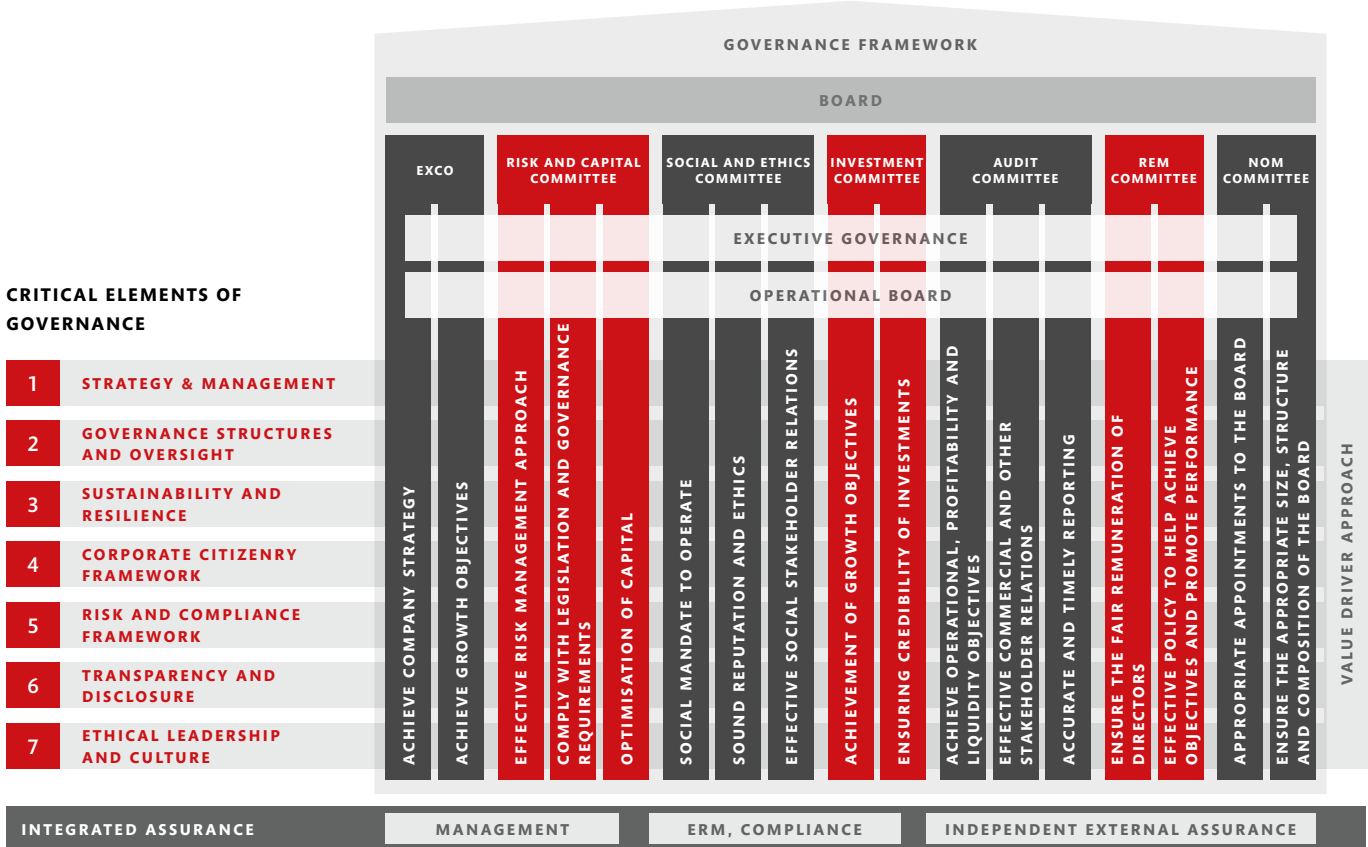
- Provide non-executive directors with a wholistic and comprehensive view of governance activities across the organisation to enable the effective discharge of fiduciary duties;
- Clearly set out responsibilities across governance activities which enables accountability and transparency; and
- Set the platform for effective leadership from role players, providing clear direction and decision making to ultimately translate into long-term value creation for all stakeholders.

## GOVERNANCE FRAMEWORK MODEL

The seven critical elements of governance were considered when drafting the Group's governance framework. These were further disaggregated into specific and measurable goals, with areas of responsibility assigned to either the Board, the Committees, or the Executive Directors.

The Board forms the foundation of the corporate governance system and is accountable and responsible for the performance of the Group. The following principles have been approved by the Board, and together with the charters of the Committees, provide the framework for the governance of the Group:

Through the governance structures and processes that are in place, the financial and other controls and the supervisory oversight exercised in the Group are deemed to be appropriate and adequate.



Equites has remained compliant with the provisions of the Companies Act and operated in conformity with its Memorandum of Incorporation during the period under review. The Board Charter and the terms of reference of Committees are aligned with relevant provisions of the Companies Act and King IV.

The Board composition, governance framework, and the roles and responsibilities of the Committees are not solely focused on compliance with laws and regulations, but also play a vital role in driving outcomes that support the Group's ongoing long-term value creation.

## ETHICS

The Group subscribes to high ethical standards of business practise. This is led by the Board who leads with integrity, competence, responsibility and accountability. A set of ethical values is discussed and approved by the Board annually. These policies require all employees to adhere to ethical business practises in their relationships with each other, suppliers, investors and all other stakeholders.

The Board is responsible for ensuring that the Group's ethics policies are appropriate and that they are enforced; this responsibility is discharged through the Social, Ethics and Transformation Committee. This Committee monitors the overall ethical culture of the business and ensures that the Board and wider organisation are equipped to deliver on the goal of creating an ethical workplace.

The Remuneration and Nomination Committees are responsible for enforcing ethical standards in recruitment processes, performance evaluation and remuneration of employees and to ensure fair and responsible pay at all levels.

The Risk and Capital Committee is responsible for identifying any ethical and other risks which may face the business, the potential consequences thereof, implementing procedures to mitigate the impact of any identified risk and the subsequent monitoring and assessing the effectiveness of these procedures.

The Group has a "no-tolerance" policy towards fraud and unethical behaviour in the organisation or with any of the counterparties the Group chooses to engage with. The Group has subscribed to an anonymous whistle-blower platform, called "Ethics Defender", whereby any instances of fraud or other breaches of ethical behaviour may be reported. Any incidents reported are directed to the Chairpersons of the Audit, Risk and Capital, and the Board, and all incidents are investigated. Third-party service providers are employed to perform these investigations, where necessary.

## BOARD OPERATIONS

The Board is ultimately responsible for evaluating the vision, mission, and values of the Group. The Board also approves Group's policies and targets, and monitors actual performance against these targets and effectiveness of these policies.

King IV provides for the Board to delegate the implementation and execution of the approved strategy, through policy and plans, to management via the Executive Directors. The Board delegates authority to the Executive Directors, to implement operational activities in line with long-term strategic goals.

The Board is expected to meet at least once a quarter. Directors are expected to attend the Board and Committee on which they serve, and to meet as frequently as may be necessary to properly discharge their statutory and other responsibilities.

The role of the Chairperson of the Board is to provide leadership to the Board, to take responsibility for the Board's composition and development and to lead the Board in forming its strategic vision and setting long-term goals for the future. The Chairperson of the Board should also set clear expectations concerning the Group's culture, values and behaviours and should set the style and tone of Board discussions.

The CEO has the responsibility of ensuring that the operations of the Group and its performance is in accordance with the strategic goals approved by the Board. The CEO should promote the company's cultures, values and behaviours through his own example and by influencing the day-to-day working environment of the Group.

While maintaining a focus on corporate governance, the Board reviews the Group's strategy annually with the aim of ensuring that the strategy is aligned to the core values of the Group, risks identified and long-term stakeholder interests. The Board also reviews the Company's MOI regularly and proposes amendments, where necessary, for shareholder approval by means of a special resolution at an AGM.

The Company Secretary monitors the effective implementation of the delegated authority and has confirmed that, during the 2022 financial year, the Executive Directors acted within the authority delegated to them by the Board. There is a clear balance of power and authority at Board level to ensure that no one director has unfettered powers of decision making.



### CHAIRMAN

**RESPONSIBLE FOR LEADING THE BOARD AND FOR ENSURING THE INTEGRITY AND EFFECTIVENESS OF THE BOARD AND ITS COMMITTEES. ENSURES HIGH STANDARDS OF CORPORATE GOVERNANCE AND ETHICAL BEHAVIOUR.**



### CEO

**RESPONSIBLE FOR THE EFFECTIVE MANAGEMENT AND RUNNING OF THE GROUP'S BUSINESS IN TERMS OF THE STRATEGIES AND OBJECTIVES APPROVED BY THE BOARD. CHAIRS THE COMPANY'S EXECUTIVE COMMITTEE, LEADS AND MOTIVATES THE MANAGEMENT TEAM AND ENSURES THAT THE BOARD RECEIVES ACCURATE, TIMELY AND CLEAR INFORMATION ABOUT THE GROUP'S PERFORMANCE.**

# CORPORATE GOVERNANCE REPORT CONTINUED

## GOVERNANCE STRUCTURE

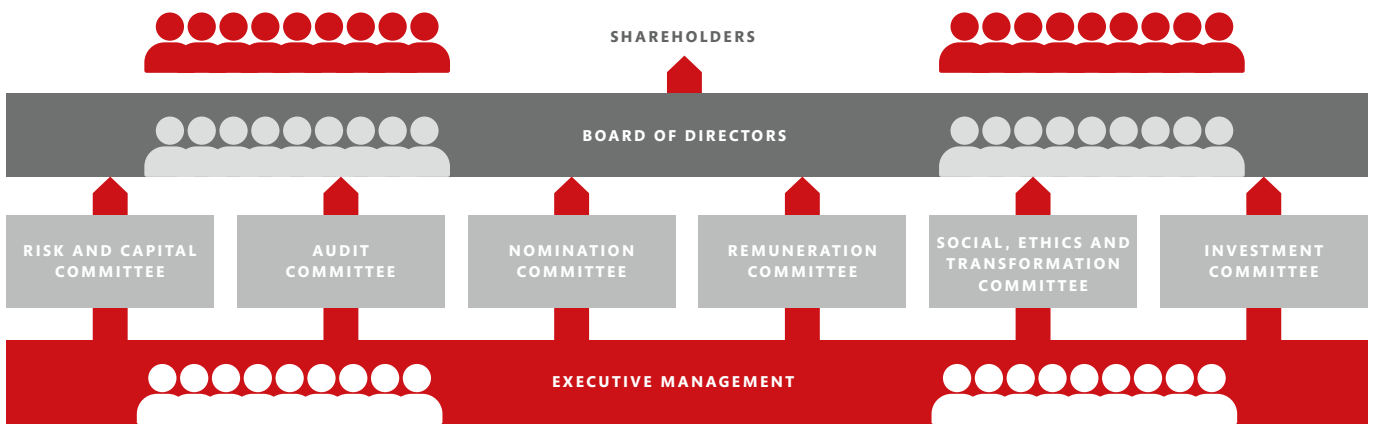
The Board retains effective control of the business through a clear governance structure and has established Committees to assist it in various elements of the Group’s operations. The Board recognises that management is an integral part of the risk management and governance structure and to this end, the Board relies on regular management reports and updates.

The Board delegates certain defined authorities to the Executive Directors in order to operate the business efficiently, within the appropriate control framework. This framework is tabled at a Board meeting, annually, for updates, where necessary, and approval.

INTEGRATED REPORT 2022

66

EQUITES PROPERTY FUND LIMITED



## BOARD COMPOSITION

In terms of the Company’s MOI, the board must comprise a minimum of four Directors and shareholders are entitled to determine the maximum number of directors by ordinary resolution. The Board should comprise of a majority of non-executive directors, and the majority of these non-executive director should be independent. Independence is regularly assessed by the Board, with an evaluation of each director being performed on an annual basis by the Nomination Committee.

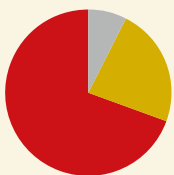
The Chairperson of the Board and the CEO exercise important roles in the corporate governance structure of a company. King IV prescribes that the roles of chairperson and CEO are performed by different people, and that the chairperson is an independent non-executive director. Equites has always followed this principle.

The Nomination Committee is responsible for recommending candidates to the Board, in line with these policies and its charter. This Committee monitors the rotation of directors in line with statutory requirements and the Company’s MOI and ensures that the size of the Board is optimised in order to facilitate efficiency and interaction between members. The overriding concern of the Nomination Committee is to ensure that as a collective, the Board is knowledgeable, skilled, experienced, diverse, and independent enough to fully discharge its governance role and responsibilities.

The Board seeks members who combine a broad spectrum of business experience, industry knowledge and financial expertise with a reputation for integrity and objectivity. The Board believes that good governance contributes to value creation in the short, medium and long term, and improves the trust and confidence of the Group’s stakeholders. As the directors set the tone for the organisation’s governance initiatives, all the directors on the Board have impeccable ethical standards and lead by example. Furthermore, all members of the Board display a high degree of skill and experience in their area of expertise.

Where any vacancies arise on the Board arise as a result of a resignation or skills gap, the Board makes use of external recruitment service providers to source high-quality directors who have the necessary skills and experience required. The Nominations Committee undergoes an interview process with suitable candidates and then recommends an individual for appointment to the Board. Once the Board has approved the appointment of a new director, the appointment is resolved by shareholders at an AGM.

### BOARD COMPOSITION



BOARD COMPOSITION

■ INDEPENDENT NON-EXECUTIVE	9
■ NON-EXECUTIVE	1
■ EXECUTIVE	3

The Nomination Committee periodically reviews succession planning for the Board, Executive Directors and all other key management. Succession planning includes policies and principles for the selection of Board members and Executive Directors, and ongoing planning for circumstances which may require the selection of a new Board member and/or Executive Director.

During the year under review, Doug Murray was appointed as an independent non-executive director of Equites with effect from 27 July 2021 and Cindy Hess Robertson and Ndabezinhle (Ndabe) Mkhize were appointed as independent non-executive directors of Equites with effect from 1 October 2021.

## DIRECTOR EVALUATIONS

### NON-EXECUTIVE DIRECTORS

An independent Board survey was commissioned by the Board and was completed in February 2021.

The survey indicated that the Directors regard the Board as functioning in line with leading practice, led by a well respected Chairman.

The policy is to complete this survey once every three years and the next survey will be completed again in 2024 or sooner if the Board deems fit.

### EXECUTIVE DIRECTORS

The Board establishes monitoring criteria against which to assess the performance of the Executive Directors which are tabled at every Board meeting. This includes various financial and operating metrics, in addition to successfully implementing growth, acquisition, sustainability and transformational targets.


The Board suggests strategic development opportunities for the Executive Directors. These development opportunities assist the Executive Directors in achieving their goals and ensuring that the Group is focused on long-term value creation.

The Nomination Committee conducts regular performance reviews of the Executive Directors. On an annual basis, Equites staff partake in an externally conducted survey where they are able to provide feedback regarding the organisational values, culture and the leadership style of the executive management team.

During the period under review, Equites completed a staff survey which indicated the work environment was healthy, positive and conducive to cultivating high performance.

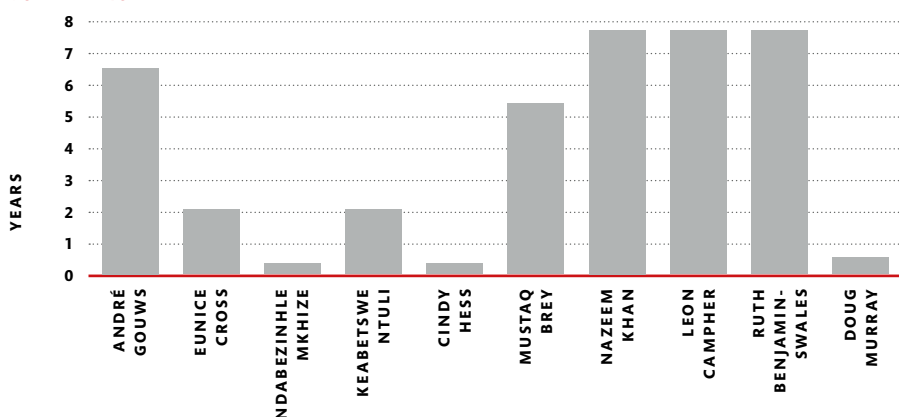
The staff survey feedback is an important component when assessing the executive directors. Based upon the Nomination Committee's evaluation and input received from fellow non-executive directors, the Committee reports to the Board on the overall effectiveness of the executive directors.

## INDEPENDENCE

The Board consists of 13 directors, of which 10 are non-executive. Of the non-executives, 9 directors are independent. A majority of independent non-executive directors encourages independent thinking amongst all Board members and enables all directors to exercise objective judgement. 

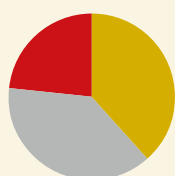
To allow a fair nominations process and to maintain the independence of the Board, one third of all non-executive directors must resign and stand for re-election at each AGM as required by the MOI. The Committee follows the King IV nine-year tenure principle for non-executive directors, including the Chairperson of the Board, to maintain the independence of the Board.

### BOARD TENURE



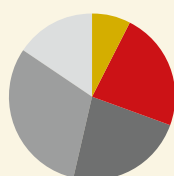
## BOARD DIVERSITY

The non-executive directors have been selected to reflect diversity in terms of race, gender, age, culture, areas of experience and tenure. The Nominations Committee is tasked with maintaining and improving the diversity of the Board. The Board currently comprises **38% BLACK FEMALE DIRECTORS** and a further **23% BLACK MALE DIRECTORS** (2021: 33% black female and 17% black male). The average age of the Board is 53.6 years, encompassing years of experience, various cultures and a wide range of expertise.



BOARD DIVERSITY

WHITE MALE	5
BLACK MALE	3
BLACK FEMALE	5



BOARD AGE GROUPS

OVER 70	1	41-50	4
61-70	3	31-40	2
51-60	3		

## CORPORATE GOVERNANCE REPORT CONTINUED

### BOARD COMMITTEES

**The Group's governance structure and delegation framework enhance independent judgement, ensure the execution of strategy, and assigns Board members to areas in which they would generate optimal value.**

The Board acknowledges that they are ultimately responsible for managing the Group as a whole. To assist it in fulfilling its responsibilities, the Board has appointed a number of Committees. Each Committee has a mandate to ensure that all statutory and other regulatory requirements are addressed and to eliminate any potential duplication of activities.

#### AUDIT COMMITTEE

The Audit Committee is a statutory committee whereby its responsibilities is in terms of section 94(7) of the Companies Act and all other duties assigned to it by the Board. The Audit Committee fulfils a critical role in the overall governance framework by overseeing integrated reporting and ensuring the financial integrity of the annual financial statements. All members of the Audit Committee are independent non-executive directors with relevant financial reporting expertise.

This Committee is chaired by Ruth Benjamin-Swales who ensures that all statutory duties are upheld in line with the Companies Act, while overseeing the processes which ensure the integrity of the Group's reporting. For the year under review, *inter-alia*, the Committee reviewed the external auditor's effectiveness, independence and objectivity; reviewed and approved the fees for the audit and non-audit services; reviewed and approved the external audit plan; reviewed the interim and year-end financial results and made recommendations, regarding the abovementioned items, to the Board for approval.

For the year under review, an Internal Auditor was appointed to assess the effectiveness of managements policies and controls and establish a combined assurance framework.

**MEMBERS: RUTH BENJAMIN-SWALES (CHAIRPERSON), MUSTAQ BREY, KEABETSWE NTULI, DOUG MURRAY, CINDY HESS ROBERTSON**

Following the appointment of Doug Murray on 27 July 2021 and Cindy Hess Robertson and Ndabezinhle (Ndabe) Mkhize on 1 October 2021, the composition of the Committees was reconstituted, to ensure that each Committee was suitably equipped with the necessary experience and skills to fully execute their respective terms of reference.

The Board maintains an Audit Committee, an Investment Committee, a Nominations Committee, a Remuneration Committee, a Risk and Capital Committee and a Social, Ethics and Transformation Committee. The Committees are appropriately constituted with relevant expertise and industry experience, and members are

#### INVESTMENT COMMITTEE

The Investment Committee is essential to the growth and long-term value creation of the Group as it reviews capital-allocation decisions identified by the Executive Directors and makes recommendations to the Board in this regard.

This Committee is chaired by Leon Campher and consists of Directors with vast experience in the property and development sector. For the year under review, the Committee was convened to evaluate, *inter alia*, the following transactions:

- Acquisition of the two logistics properties and a development from Attacq.
- Establishment of a joint venture and acquisition of DSV Campus.
- Disposal of land at Plot 2, Hoyland Common.

The Committee analysed the commercial, financial, and operational impacts of these transactions and deemed all of them to be viable and in line with the long-term strategy of the business. The committee therefore recommended these transactions to the Board for approval.

**MEMBERS: LEON CAMPHER (CHAIRPERSON), ANDRE GOUWS, NAZEEM KHAN, NDABEZINHLE MKHIZE**

appointed by the Board with the exception of the Audit Committee, whose members are nominated by the Board and elected by shareholders at each AGM.

After each Committee meeting, the relevant chairperson of the committee report back to the Board, which ensures constant communication between all Directors and guarantees that all aspects of the Board's mandate are addressed. The Board is satisfied that the Committees are competent to deal with the Group's current and emerging risks and opportunities and that these Committees effectively discharged their duties during the 2022 financial year.

#### NOMINATION COMMITTEE

The role of the Nomination Committee is to assist the Board with the nomination, election and appointment of directors. The Committee also ensures that the Board is suitable comprised in terms of skills and experience as well as in line with the Board's transformation goals.

The Committee is chaired by Leon Campher and ensures that the Board is comprised of the optimal diversity, experience, knowledge and skills. For the year under review, the committee reviewed and evaluated the size, structure and composition of the Board and considered how the Board needs to evolve to meet business needs going forward and set Board transformation goals. The Nominations Committee further reviewed the tenure of non-executive directors and are in the process of implementing a sustainable strategy for director rotation in line with King IV guidelines.

**MEMBERS: LEON CAMPHER (CHAIRPERSON), MUSTAQ BREY, EUNICE CROSS, NAZEEM KHAN**

## REMUNERATION COMMITTEE

The Remuneration Committee is a committee appointed by the Board in terms of section 72(1) of the Companies Act to ensure that the Company remunerates all directors fairly and responsibly and that the disclosures of this remuneration is accurate, complete and transparent. Furthermore, the committee is responsible for promoting fair, responsible, and ethical employment practices while being mindful of all stakeholders.

The Remuneration Committee is chaired by Nazeem Khan who ensures that the Group adopts a remuneration policy that is fair and transparent and attracts and retains executive talent that contributes to the achievement of the Group's objectives. The Remuneration Committee signs off on the non-executive remuneration and the executive remuneration policy and implementation plan for approval by the shareholders at the AGM.

During the year under review, the Remuneration Committee focused its efforts on ensuring that executive and non-executive pay was benchmarked appropriately, engaged with shareholders to better understand their feedback regarding the remuneration policies and continued to advance its efforts in respect of fair and responsible pay across the Company.

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**MEMBERS: NAZEEM KHAN (CHAIRPERSON), MUSTAQ BREY, LEON CAMPHER, KEABETSWE NTULI, DOUG MURRAY**

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## RISK AND CAPITAL COMMITTEE

The Risk and Capital Committee is a committee appointed by the Board in terms of section 72(1) of the Companies Act to enable the Board to comply with its duties in relation to evaluating and improving the effectiveness of risk management, controls and governance processes within the Group. In addition to the statutory requirements, this Committee has been tasked with oversight and input into capital raises, debt funding and treasury-related policies.

This Committee is chaired by Mustaq Brey and its purpose is to ensure the effective development and implementation of the capital and risk management policies within the company, to ensure that appropriate procedures are in place to identify, assess and manage risk and to report to the Board and shareholders, as necessary.

During the year under review, the Committee continued to monitor and improve the risk register of the Group. In addition, the Committee oversaw the appointment of a designated head of risk and internal auditor to identify the Group's risks and mitigation thereof.

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**MEMBERS: MUSTAQ BREY (CHAIRPERSON), RUTH BENJAMIN SWALES, LEON CAMPHER, EUNICE CROSS, NAZEEM KHAN**

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## SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The Social, Ethics and Transformation Committee is a statutory committee in terms of section 72(1) and section 72(4) of the Companies Act. The Committee is responsible for the oversight of and reporting on organisational ethics, responsible corporate citizenship, sustainable development, and stakeholder relationships and ensuring that the disclosure of the Group's social, ethics and transformational values and goals is accurate, complete, and transparent.

Eunice Cross was appointed as the chairperson of the Committee with effect from 1 October 2021 in place of Giancarlo Lanfranchi who resigned as a director and as chairperson of the Committee with effect from 27 July 2021.

The Committee focuses on promoting organisational ethics and enhancing the positive footprint which Equites can make in society. The Committee focused its efforts on transformation in the year under review; ensuring that the Group was compliant with the Broad Based Black Economic Empowerment Act of 2003 and the Employment Equity Act. The Committee also focused on the promotion of sustainable business practices and considered sponsorship, donations, and charitable giving with the aim of community upliftment. The Committee once again prioritised the Group's ESG goals and oversaw the appointment of an ESG Officer.

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**MEMBERS: EUNICE CROSS (CHAIRPERSON), RUTH BENJAMIN-SWALES, LEON CAMPHER**

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## CORPORATE GOVERNANCE REPORT CONTINUED

## MEETINGS AND ATTENDANCE

	RUTH BENJAMIN-SWALES	MUSTAQ BREY	LEON CAMPHER	EUNICE CROSS	KEVIN DREYER	ANDRÉ GOUWS	RIAN GOUS	NAZEEM KHAN	GIANCARLO LANFRANCHI	DOUG MURRAY	NDABEZINHLE MKHIZE	KEABETSWE NTULI	LAILA RAZACKI	ANDREA TAVERNA-TURISAN	CINDY HESS ROBERTSON
<b>BOARD MEETINGS</b>															
03 May 2021	●	●	●	●	●	●	●	●	●	N/A	N/A	●	●	●	N/A
30 September 2021	●	●	●	●	N/A	●	●	●	N/A	●	N/A	●	●	●	N/A
10 February 2022	●	●	●	●	N/A	●	●	●	N/A	●	●	○	●	●	●
<b>AUDIT COMMITTEE</b>															
28 April 2021	●	●	○	○	○	○	○	○	○	N/A	N/A	●	○	○	N/A
28 September 2021	●	●	○	○	N/A	○	○	○	N/A	●	N/A	●	○	○	N/A
7 February 2022	●	●	○	○	N/A	○	○	○	N/A	●	○	○	○	○	●
<b>INVESTMENT COMMITTEE</b>															
3 March 2021	○	○	●	○	●	●	○	●	●	N/A	N/A	○	○	○	N/A
25 May 2021	○	○	●	○	●	●	○	●	●	N/A	N/A	○	○	○	N/A
19 July 2021	○	○	●	○	N/A	●	○	●	N/A	N/A	N/A	○	○	○	N/A
27 July 2021	○	○	●	○	N/A	●	○	●	N/A	○	N/A	○	○	○	N/A
10 September 2021	○	○	●	○	N/A	●	○	●	N/A	○	N/A	○	○	○	N/A
22 February 2022	○	○	●	○	N/A	●	○	●	N/A	○	●	○	○	○	○
<b>NOMINATION COMMITTEE</b>															
28 April 2021	○	●	●	●	○	○	○	●	○	N/A	N/A	○	○	○	N/A
13 September 2021	○	●	●	●	N/A	○	○	●	N/A	○	N/A	○	○	○	N/A
<b>REMUNERATION COMMITTEE</b>															
28 April 2021	○	●	●	○	○	○	○	●	○	N/A	N/A	●	○	○	N/A
7 February 2022	○	●	●	○	N/A	○	○	●	N/A	●	○	○	○	○	○
<b>RISK AND CAPITAL COMMITTEE</b>															
28 April 2021	●	●	●	●	○	○	○	●	○	N/A	N/A	○	○	○	N/A
28 September 2021	●	●	●	●	N/A	○	○	●	N/A	○	N/A	○	○	○	N/A
7 February 2022	●	●	●	●	N/A	○	○	●	N/A	○	○	○	○	○	○
<b>SOCIAL AND ETHICS COMMITTEE</b>															
23 April 2021	●	○	●	●	○	○	○	○	○	●	N/A	N/A	○	○	N/A
28 September 2021	●	○	●	●	N/A	○	○	○	N/A	○	N/A	○	○	○	N/A
7 February 2022	●	○	●	●	N/A	○	○	○	N/A	○	○	○	○	○	○

CONFLICTS OF INTEREST  
AND DIRECTORS' PERSONAL  
INTERESTS

Timeously informing the Board of actual or potential conflicts of interest that they may have in relation to particular items of business or other directorships is an essential component of effective governance. Directors are required to declare their personal financial interests and those of related persons in contracts with the Group. A comprehensive register in this regard is maintained and reviewed regularly.

In line with the requirements of the Companies Act and King IV, directors are asked to recuse themselves, at both a Committee and Board level, from any discussions and decisions where they have a material financial interest or relationship, including related party transactions.

## COMPANY SECRETARY

Todd Colin Petersen was appointed as the Company Secretary on 1 October 2021. The Board is satisfied with his experience and qualifications to act in this capacity. The Board is satisfied that Todd has the necessary experience, qualifications and expertise to take up the position of Company Secretary of Equites.

- ATTENDED
- ABSENT WITH APOLOGIES
- NOT A MEMBER OF THIS COMMITTEE
- N/A NOT A BOARD MEMBER AT THE TIME



## CORPORATE GOVERNANCE DISCLOSURES IN ACCORDANCE WITH THE JSE DEBT LISTINGS REQUIREMENTS

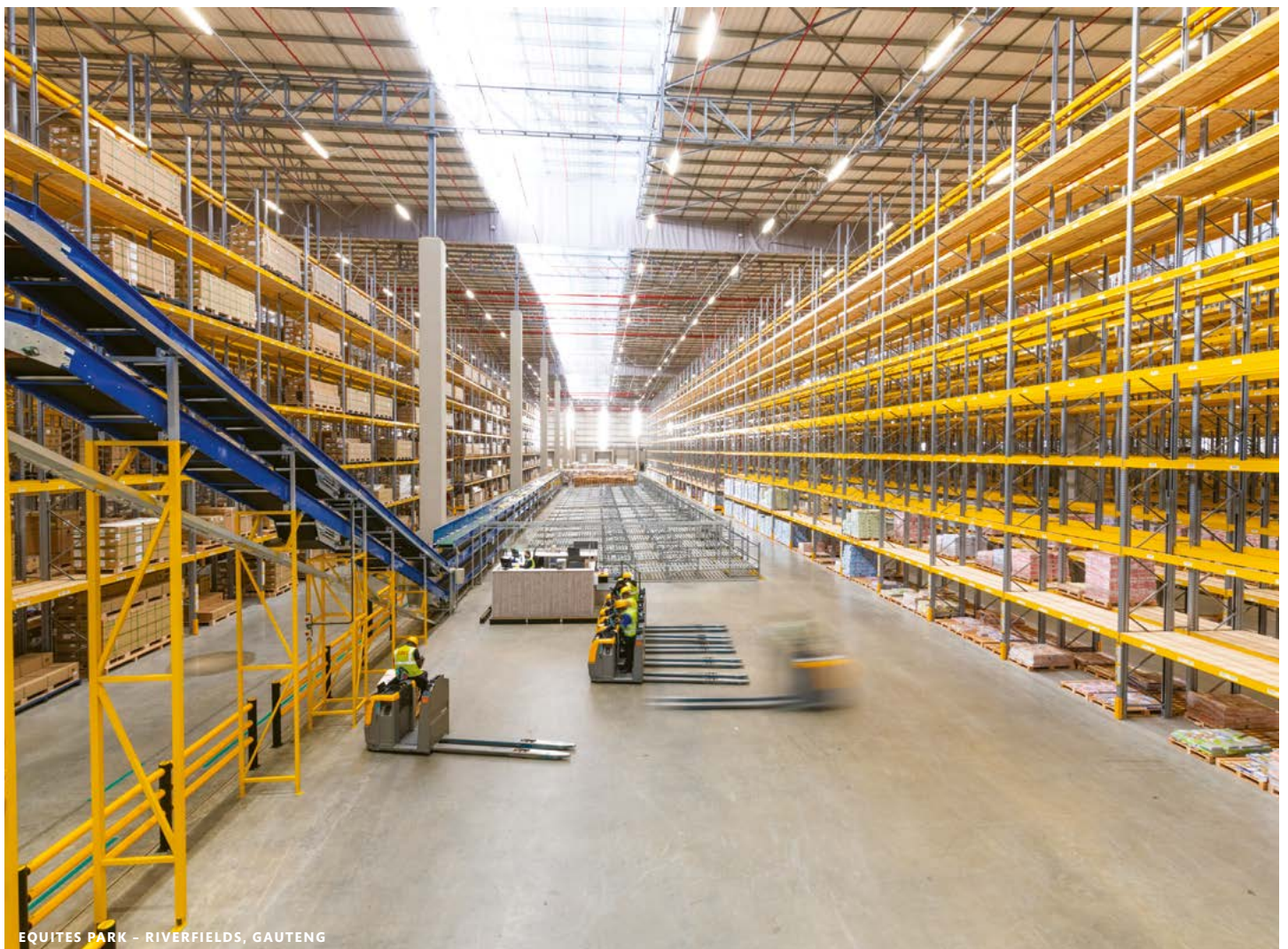
As contemplated in paragraph 7.3(c)(iii) of the JSE Debt Listings Requirements, independence of directors is determined holistically, in accordance with the indicators provided in section 94(4)(a) and (b) of the Companies Act, Directive 4 of 2018 issued by the Prudential Authority on 5 October 2018 and the King Code. The Company confirms that the Audit Committee has executed the responsibilities as set out in paragraph 7.3(e) of the JSE Debt Listings Requirements. In accordance with paragraph 7.3(f) of the JSE Debt Listings Requirements, the Company follows an existing policy on the evaluation of the performance of its Board of directors and that of its Committees, its chair and its individual directors pursuant to the provisions of the King Code. The Company's debt officer, as contemplated in paragraphs 6.39(a) and 7.3(g) of the JSE Debt Listings Requirements, is Ms Laila Razack (CFO). The Board duly considered and satisfied itself with the competence, qualifications and experience of Ms Razack before she was appointed as debt officer of the Company.

The Company's Board appointment and conflict of interest policies are accessible at [www.equites.co.za/about/corporate-governance/](http://www.equites.co.za/about/corporate-governance/).

The policies deal, *inter alia*, with:

- i) The conflicts of interest of the directors and the executive management of Equites and how such conflicting interests can be identified and managed or avoided; and
- ii) The process for the nomination and appointment of directors of the company.

Since publication of the Policy, there have been no amendments to the Policy. Equites confirms that, as at 28 February 2022, there are no recorded conflicts of interest and/or personal financial interests of the directors and/or the executive management of Equites, as contemplated in the Policies and paragraphs 7.5 and 7.6 of the JSE Debt Listing Requirements (as read with section 75 of the Companies Act) other than the fact that the executive directors of Equites are also the directors of the wholly-owned subsidiaries in the Group. Accordingly, as at the 28 February 2022, there is no 'register of any conflicts of interest and/or personal financial interests', as contemplated in paragraph 7.6 of the JSE Debt Listing Requirements.



EQUITES PARK - RIVERFIELDS, GAUTENG

## BOARD OF DIRECTORS

### INDEPENDENT NON-EXECUTIVE DIRECTORS



#### PHILIP LEON CAMPHER

**CHAIRMAN**  
**QUALIFICATION: BECON**

Leon is the CEO of ASISA and serves as the lead independent director on the Board of Brimstone Investment Corporation ("Brimstone"). He also serves on the Board of Business Unity South Africa (BUSA) and the International Investment Funds Association (IIFA). With his vast experience in business and investment management, he is able to direct the Board effectively and provide sound guidance to the executive team.



#### RUTH BENJAMIN-SWALES

**QUALIFICATION: BCOM, CTA, CA(SA)**

Ruth is a senior policy advisor at ASISA, CEO of the ASISA Foundation and trustee of the ASISA Enterprise and Supplier Development entities. She has served on numerous councils and boards including SAICA and IRBA. With her financial and compliance background, she sets the ethical tone for the Group and spearheads the functions of the audit committee.



#### MUSTAQ BREY

**QUALIFICATION: BCOMPT (HONS), CA(SA)**

Mustaq is the CEO of Brimstone. He also serves as the Chairperson of Oceana Group Ltd, International Frontier Technologies SOC Ltd and Groote Schuur Hospital Trust. He is a director of AON Re SA (Pty) Ltd. He serves on the boards and committees of various non-profit organisations. With his vast business experience, he brings unique insights and provides sound guidance to the Board.



#### EUNICE CROSS

**QUALIFICATION: M(LAW) LLB**

Eunice is a founding member and consultant at EC Advisory legal consultancy. She is completing a Doctor of Philosophy at Wits Business School. Her areas of expertise include corporate law, commercial law, banking & finance law, international law and general contract law. She takes extensive interest in gender relations and equality issues which informs her academic studies.



#### NAZEEM KHAN

**QUALIFICATION: BSC (QS), MAQS, PRQS, RICS**

Nazeem is a director of the national firm Bham Tayob Khan Matunda (BTKM) quantity surveyors. He also serves on the Board and is the Chairman of the Brimstone audit committee. His experience provides valuable insights into the Group's operations, particularly with respect to property acquisitions and developments.



#### KEABETSWE NTULI

**QUALIFICATION: BACC(HONS), CA(SA)**

Keabetswe is the Head of Sanlam Private Wealth, Johannesburg region. Sitting on various executive committees and working groups, she has extensive experience in related organisations. She previously held positions as the founding CEO and director of Africa Collective Investments (RF) (Pty) Ltd; and an independent non-executive and chairperson of the audit committee for Cloud Atlas Investing (RF) (Pty) Ltd. She has strong technical skills in investments, accounting, governance, risk and assurance. She is passionate about cultivating young entrepreneurs, design thinking and innovation.



### CINDY HESS ROBERTSON

**QUALIFICATION: BCOM (ACC), PGDA, CA(SA)**

Cindy is a qualified CA(SA) and has served as the CFO at Media24, Pioneer Food Group and Sea Harvest Group. She also held various executive positions at Woolworths and within the Transnet Group. She is currently a director on the boards of RCL Foods, Truworths International, Coronation Foundation and MLF. She recently concluded her term as deputy chair of the Council of the UWC. She has a values-based and principled leadership style and is passionate about driving sustainable shareholder value.



### DOUG MURRAY

**QUALIFICATION: BA, CA**

Doug serves as a non-executive director on the Board of The Foschini Group Limited ("TFG") and its subsidiaries, TFG London and RAG Australia. He joined TFG in 1985 and was appointed as CEO of TFG in 2007, having previously held various senior positions within TFG. He served as CEO until his retirement in 2018. He has extensive knowledge and experience in local and international financial, retail and logistics markets.



### NDABEZINHLE MKHIZE

**QUALIFICATION: BSC, CAIA, CFA**

Ndabe is the former CIO of Eskom Pension and Provident Fund. He has worked as a portfolio manager of listed property funds at Coronation Fund Managers and STANLIB Asset Management. He is the inaugural chairman of Asset Owners Forum South Africa and also the chairman of IG Markets South Africa and Fairvest Property REIT. He serves on the Infrastructure Investment Committee that advises SA government's Infrastructure Fund. His career in the financial services industry covers actuarial science, asset management, and the pension fund industry. He brings a wealth of experience in investment management and a unique asset owners' perspective to the Board.

## NON-EXECUTIVE DIRECTORS

## EXECUTIVE DIRECTORS



### ANDRÉ JACQUES GOUWS

**QUALIFICATION: B.COM, B.COMPT (HONS), CA(SA)**

Andre is the Managing Director of Intaprop Investments (Pty) Ltd, a leading property development and investment company. With his financial background and many years of experience in the property sector, he provides valuable insights to the Board.



### ANDREA TAVERNA-TURISAN

**CHIEF EXECUTIVE OFFICER  
QUALIFICATION: BSC (HONOURS)  
(MATHEMATICS AND  
MANAGEMENT)**

Andrea established his own property development company in 2006 and built up a substantial portfolio of modern logistics assets for his own account over the following 8 years. This became an important component of the Equites portfolio on listing. This development expertise and his previous experience in the UK, are key success factors for Equites.



### RIAAN GOUS

**CHIEF OPERATING OFFICER  
QUALIFICATION: BA (LAW) LLB**

Riaan was previously a director with one of the predecessor firms of Cliffe Dekker Hofmeyr Inc. where he gained extensive exposure to real estate transactions. He then spent some 10 years as an executive director of the Arabella Group and was actively involved in the development of their property portfolio.



### LAILA RAZACK

**CHIEF FINANCIAL OFFICER  
QUALIFICATION: BBSC (FINANCE  
& ACCOUNTING), PGDA, CA(SA)**

Laila joined Equites in 2015 and has played an integral role in improving internal processes within the Group as well as growing the scale and sophistication of the overall finance function. Prior to joining Equites, she worked in PwC's Advisory division with a focus on mergers & acquisitions. She has a keen interest for environmental, social and sustainable initiatives and serves as a director of MLF.

# RISK MANAGEMENT REPORT

Equites believes that the approach adopted to identifying and appropriately managing risks ensures that the value generated by the Group for stakeholders is sustainable for the long term.

## RISK MANAGEMENT FRAMEWORK

Equites recognises that effective risk management is critical to the achievement of strategic objectives and the long-term growth of the business. The head of each business function is responsible for identifying and managing risks in their area of responsibility. Executive management is tasked with implementing mitigating actions as soon as they become aware of an identified risk.

The Board is ultimately responsible for ensuring that risks facing the business are effectively managed, and it has delegated oversight to the Risk and Capital Committee. The Committee reviews significant risks and mitigating factors at each meeting and reports back to the Board. Based on the feedback from the Committee and reports from executive management, the Board approved the Group's risk management, mitigating activities and monitoring processes as an effective risk response.

- 1 LOGISTICS SECTOR EXPOSURE
- 2 ENVIRONMENTAL IMPACT OF OPERATIONS
- 3 SOCIO-ECONOMIC ENVIRONMENT
- 4 COMPLIANCE WITH LAWS & REGULATIONS
- 5 FUNDING AND LIQUIDITY
- 6 REGULATORY OPERATING ENVIRONMENT
- 7 MARKET RISK
- 8 CREDIT RISK
- 9 INFORMATION TECHNOLOGY
- 10 TRANSFORMATION GOALS
- 11 SA PROPERTY DEVELOPMENT
- 12 UK PROPERTY DEVELOPMENT
- 13 HUMAN RESOURCES

## RISK MANAGEMENT

The approach is all-inclusive and involves the following steps: identification of risk; assessment of the likelihood and impact on the Group; formulation of mitigating responses to the risk; and review and revision of identified risks on an ongoing basis. The effective application of the risk management process ensures that management understands the risks to which it is exposed and deals with them in an informed, proactive manner.

## ACTIVITY DURING THE YEAR

The Risk and Capital Committee is made up of independent non-executive directors and has met three times during the year. The members of the Committee have the detailed knowledge and expertise of the operational, financial, legal and corporate aspects of Equites to ensure effective oversight of the risk management of the Group.

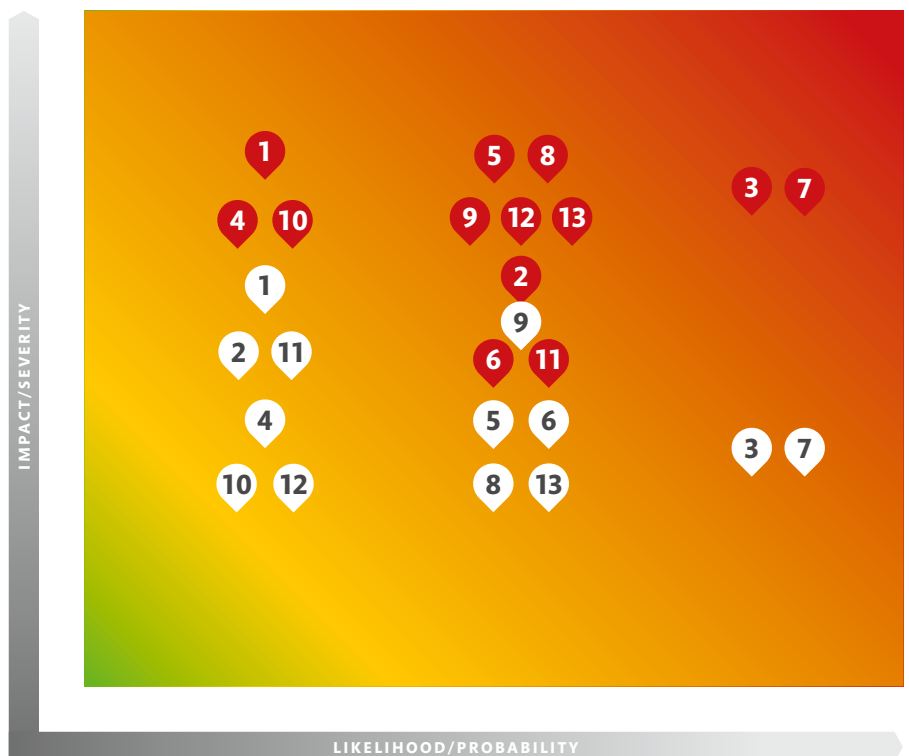
The Group has appointed a Head of Risk to lead the risk management activities of the Group and an Internal Auditor to provide independent assurance on the effectiveness of the Group's risk management activities.

## RISK ASSESSMENT MATRIX

Each risk is identified based on a sound understanding of the business and is assessed based on its likelihood and impact. The risk assessment matrix describes the risks and details the mitigating actions undertaken by the Group to reduce or transfer the risk, such that the remaining residual risk is acceptable to the Group.

The heatmap indicates the impact or severity of identified risks and the likelihood or probability that they would occur (i) prior to mitigating actions by the Group (inherent risk) and (ii) after appropriate control measures have been implemented by the Group (residual risk).

### INHERENT AND RESIDUAL RISK ASSESSMENT





RISK DESCRIPTION	RESIDUAL RISK ASSESSMENT			HOW WE MITIGATE THE RISK	INPUTS/ SUSTAINABILITY
	IMPACT	LIKELIHOOD	OVERALL		
<p><b>1. LOGISTICS SECTOR EXPOSURE</b></p> <p>A decline in demand for logistics properties in SA and/or the UK, resulting in difficulties letting or selling speculative developments.</p>				<ul style="list-style-type: none"> <li>The Investment Committee is tasked with ensuring that the investment strategy is executed effectively, including a thorough financial and strategic due diligence on all major transactions using risk-adjusted hurdle rates.</li> <li>Speculative development activity in SA is limited to 5% of the portfolio by value. No speculative activity is to be undertaken in the UK.</li> <li>Land acquisitions are carefully assessed based on forecast requirements, and land holdings where no development agreement has been entered into limited to 10% of the portfolio by value.</li> <li>Assess logistics nodes and land parcels on an ongoing basis (scarcity, demand, productivity and best use). Carefully evaluate between develop-to-hold and turnkey developments.</li> <li>Engage with tenants continuously to understand their business, assist in improving their supply chain, and collaborate on their sustainability requirements; thereby ensuring repeat business to meet current tenants' future requirements and the opportunity for sale-and-leaseback transactions.</li> </ul> <p><b>FY22 ACTION</b></p> <ul style="list-style-type: none"> <li>Land holdings 8% (SA 4% and UK 4%)</li> </ul>	
<p><b>2. ENVIRONMENTAL IMPACT OF OPERATIONS</b></p> <p>Property construction causes a negative environmental or social impact resulting in reputational or financial damage.</p>				<ul style="list-style-type: none"> <li>The impact of environmental risk is assessed through a dual materiality approach.</li> <li>The minimum specification for all new developments is aligned to EDGE green building certification in SA and BREEAM green building certification standards in the UK.</li> <li>All new developments adhere to Equites' Sustainability Framework. There is an increased focus on monitoring and disclosing environmental, social and sustainability goals and objectives in line with this Framework.</li> <li>Solar PV installations are included in the baseline specification on all new developments.</li> <li>Regular reporting by the dedicated ESG function on each development and property, indicating compliance with environmental and social policies, framework, covenants and legislation.</li> </ul> <p><b>FY22 ACTION</b></p> <ul style="list-style-type: none"> <li>Appointment of an ESG Officer</li> <li>Sustainalytics ESG Risk Rating improved from 16.9 (FY21) to 11</li> <li>Solar PV generated at Equites properties avoided 6 101 tCO<sub>2</sub>e of greenhouse gas emissions</li> <li>R800 million sustainability linked loan and R225 million green loan</li> </ul>	
<p><b>3. SOCIO-ECONOMIC OPERATING ENVIRONMENT</b></p> <p>Political or socio-economic instability in the business environment of operating jurisdictions adversely affects performance.</p>				<ul style="list-style-type: none"> <li>Engage continuously with community forums and associations in the areas within which Equites operates through AmpCore, the Group's dedicated social responsibility programme.</li> <li>Establish relationships with community forums and other business structures in close proximity to high-risk areas.</li> <li>Ensure sufficient insurance cover is in place.</li> <li>Develop business parks with adequate security measures in place.</li> </ul>	

**IMPACT**

- SIGNIFICANT**
- MODERATE**
- MINOR**

**LIKELIHOOD**

- PROBABLE**
- POSSIBLE**
- REMOTE**

**OVERALL**

- MEDIUM**
- LOW**
- VERY LOW**

# RISK MANAGEMENT REPORT CONTINUED

RISK DESCRIPTION	RESIDUAL RISK ASSESSMENT			HOW WE MITIGATE THE RISK	INPUTS/ SUSTAINABILITY
	IMPACT	LIKELIHOOD	OVERALL		
<p><b>4. COMPLIANCE WITH LAWS AND REGULATIONS</b></p> <p>Failure to comply with laws and regulations results in fines and penalties, reputational harm, loss of REIT status, tax liabilities or loss of investor confidence.</p>				<ul style="list-style-type: none"> <li>A dedicated in-house legal team ensures timely compliance with laws and regulations.</li> <li>Maintain and regularly review a register of all legislation that impacts the Group. Review and consider the impact of draft legislation that would affect the Group, comment on it and develop contingency plans where necessary.</li> <li>Monitor factors attributable to REIT status on a monthly basis.</li> <li>Adoption of a combined assurance framework, including an independent Internal Audit function reporting directly to the Audit Committee of the Board, to ensure management control, risk control and independent assurance</li> <li>Corporate sponsors (equity and debt) actively monitor applicable risk on a continuous basis. Completion of an annual compliance checklist.</li> <li>Engage with consultants and specialists on complex matters.</li> </ul> <p><b>FY22 ACTION</b></p> <ul style="list-style-type: none"> <li>A Head of Risk, an Internal Auditor and a new Company Secretary appointed</li> </ul>	
<p><b>5. FUNDING AND LIQUIDITY</b></p> <p>The volatility of funding in the equity and debt markets results in capital raised at unfavourable levels, that would negatively impact the WACC and limit growth.</p> <p>Failure to appropriately assess liquidity requirements render the Group unable to pay obligations as they fall due.</p> <p>An increase in the use of leverage will increase the cost of debt and results in the breach of financial covenants.</p>				<ul style="list-style-type: none"> <li>Monitor the balance sheet to ensure the Group maintains a conservative LTV ratio and remains within the strictest debt covenants.</li> <li>Maintain sufficient committed undrawn credit facilities and an appropriate contingent funding liquidity buffer.</li> <li>Ensure sustainable cash flows through income-producing properties with strong fundamentals.</li> <li>Maintain a long-dated debt maturity profile with diverse sources of funding, including a JSE-listed DMTN Programme, and in-country debt to the maximum extent possible.</li> <li>Interact with corporate sponsors, asset managers and other investors on an ongoing basis to gauge appetite for equity and debt funding.</li> </ul> <p><b>FY22 ACTION</b></p> <ul style="list-style-type: none"> <li>LTV ratio 31.5%</li> <li>GCR credit rating upgrade to AA-</li> <li>Undrawn credit facilities R1.2 billion</li> <li>Contingent liquidity buffer of R300 million maintained throughout the year</li> <li>Debt maturity 2.7 years</li> <li>28 debt investors</li> </ul>	
<p><b>6. REGULATORY OPERATING ENVIRONMENT</b></p> <p>Legislative, regulatory or taxation changes in the business environment of operating jurisdictions adversely affects performance.</p>				<ul style="list-style-type: none"> <li>Operate in developed markets which have a very low risk of regulatory or legislative uncertainty and maintain a sound understanding of these locations.</li> <li>Monitor capital markets closely and gauge appetite for equity through engagement with key market players including capital market advisors, bank capital market teams, asset managers and rating agencies. Continuously evaluate the capital structure and consider alternatives, such as minority partnerships, dual listing, and private placement.</li> <li>Perform in-house research and engage specialists to understand complex legislative, taxation and compliance matters.</li> <li>Impacts of entering into new markets are established by considering and analysing market overview, proposed capital structure, tax considerations, funding considerations, diversification of applicable risks.</li> </ul> <p><b>FY22 ACTION</b></p> <ul style="list-style-type: none"> <li>Established investment partnership with EPPF through R2.05 billion acquisition of DSV Campus</li> <li>R2.7 billion equity capital raised</li> </ul>	



RISK DESCRIPTION	RESIDUAL RISK ASSESSMENT			HOW WE MITIGATE THE RISK	INPUTS/ SUSTAINABILITY
	IMPACT	LIKELIHOOD	OVERALL		
<p><b>7. MARKET RISK</b></p> <p>Volatility in exchange rates negatively impacts the translation of foreign operations.</p> <p>Volatility in interest rates results in a negative impact on financial performance.</p>		<ul style="list-style-type: none"> <li>A Board approved and reviewed Treasury Policy stipulates requirements for interest rate and FX risk hedging, including a progressive GBP distributable earnings hedging policy.</li> <li>The Board and senior management assess key macroeconomic indicators including GDP, unemployment, interest rates and market volatility as part of the ongoing assessment of the financial stability of the SA and UK economies.</li> <li>Equites continuously monitors interest rate and exchange rate exposures in real time.</li> <li>Maintaining sufficient PFE/credit limits with derivative providers allows Equites to execute hedges as and when required.</li> </ul> <p><b>FY22 ACTION</b></p> <ul style="list-style-type: none"> <li>Interest rate risk cover 91%</li> <li>CCIRS utilisation 20.6%</li> <li>GBPZAR income hedge floor R21.39</li> </ul>			
<p><b>8. CREDIT RISK</b></p> <p>Late payment or defaults by tenants driven by macroeconomic conditions, idiosyncratic factors or increased administered costs.</p> <p>A tenant's business or use of property or actions of tenant management lead to reputational and/or financial damage to the Group by association.</p>		<ul style="list-style-type: none"> <li>Equites focuses on blue-chip national or multinational tenants.</li> <li>All single tenants that comprise more than 10% of total revenue are required to be an A-grade tenant to minimise default risk.</li> <li>The Group continuously engages with clients to assess their financial status and gauge, and facilitate the likelihood that they would renew their lease.</li> <li>Due diligence, including a detailed understanding of a prospective tenant's business, credit-vetting procedures and a financial-stability evaluation are performed as part of initial negotiations.</li> <li>Monthly age analyses of rental income performed.</li> <li>The Group follows up with tenants on outstanding balances and/or disputes, and all such tenant engagements are recorded in a CRM application.</li> <li>Renewable energy sources are used in new developments to reduce the electricity cost burden to tenants.</li> </ul> <p><b>FY22 ACTION</b></p> <ul style="list-style-type: none"> <li>SA vacancies 0%</li> <li>A-grade tenants 97%</li> </ul>			
<p><b>9. INFORMATION TECHNOLOGY</b></p> <p>Disruption to business continuity, loss or corruption of data, misappropriation of data.</p>		<ul style="list-style-type: none"> <li>Engagement of a specialised IT firm to assist in maintaining secure and robust IT infrastructure to eliminate hardware and software failure and IT threats (viruses, malware, security breaches).</li> <li>Maintain an Information Technology risk register.</li> <li>Minimal reliance of onsite storage including cloud storage and regular dual off-site back-ups.</li> <li>Controls to ensure transaction validation and protect against human error, fraud, and dishonesty.</li> <li>Employees undergo mandatory online security awareness training by an external vendor.</li> </ul>			

IMPACT	LIKELIHOOD	OVERALL
<b>SIGNIFICANT</b>	<b>PROBABLE</b>	<b>MEDIUM</b>
<b>MODERATE</b>	<b>POSSIBLE</b>	<b>LOW</b>
<b>MINOR</b>	<b>REMOTE</b>	<b>VERY LOW</b>

# RISK MANAGEMENT REPORT CONTINUED

RISK DESCRIPTION	RESIDUAL RISK ASSESSMENT			HOW WE MITIGATE THE RISK	INPUTS/ SUSTAINABILITY
	IMPACT	LIKELIHOOD	OVERALL		
<p><b>10. TRANSFORMATION GOALS</b></p> <p>Reduction in B-BBEE rating impacts the ability to attract and retain tenants and reduces the ability to compete on development bids with specific BEE criteria.</p>				<ul style="list-style-type: none"> <li>The Board and the Social and Ethics Committee actively monitor diversity, equity and inclusion initiatives, which improve transformation in a meaningful manner.</li> <li>An Enterprise Supplier Development programme has been implemented to assist and develop local maintenance and soft-service SMMs under the AmpCore social responsibility programme.</li> <li>Active monitoring of B-BBEE rating metrics and regular assessment of suppliers to improve this rating.</li> <li>Diversity, equity and inclusion is a key focus in all hiring activities and preference is given to previously disadvantaged candidates.</li> <li>The Michel Lanfranchi Foundation supports the corporate social initiatives of the Group's educational programme that provides bursaries to previously disadvantaged communities.</li> <li>The Group adheres to the Property Sector Charter and is committed to the implementation of transformation within the property sector.</li> </ul> <p><b>FY22 ACTION</b></p> <ul style="list-style-type: none"> <li>50% female employees</li> <li>65% black employees</li> <li>Level 3 B-BBEE rating</li> <li>66.1% verified black ownership</li> </ul>	
<p><b>11. SA PROPERTY DEVELOPMENT</b></p> <p>Lack of a sound budgetary process for compiling and monitoring spend results in misallocation of resources and causes incorrect decisions to be made around cashflow, funding and project timelines.</p>				<ul style="list-style-type: none"> <li>As part of the due diligence process, project evaluation and risk analysis are undertaken prior to entering into a development.</li> <li>A detailed itemised budget is produced for every project.</li> <li>Detailed weekly reporting and budget variance analyses of costs and resources on projects.</li> <li>A strict approval process is followed for all development costs as part of the Group Decision Making Framework, including vendor vetting, procurement policy focussed on fraud prevention, cost savings and compliance with regulations.</li> <li>Labour disputes are handled proactively.</li> <li>Client satisfaction surveys are conducted on builds.</li> <li>All real and remote risks are addressed in project development risk registers.</li> </ul>	





RISK DESCRIPTION	RESIDUAL RISK ASSESSMENT			HOW WE MITIGATE THE RISK	INPUTS/ SUSTAINABILITY
	IMPACT	LIKELIHOOD	OVERALL		
<p><b>12. UK PROPERTY DEVELOPMENT</b></p> <p>Lack of control over UK project developments results in valuation impairments.</p>				<ul style="list-style-type: none"> <li>Newlands purchases options to develop land which requires no major capital commitment until development approval has been granted.</li> <li>All new developments are approved by the executive directors and the Investment Committee, in accordance with their respective mandates.</li> <li>Equites' maximum commitment is agreed with the tenant in a development funding agreement before starting work on a development.</li> <li>Construction contracts contain penalty clauses should costs exceed the budget.</li> <li>Development spending is co-approved by Equites.</li> </ul>	
<p><b>13. HUMAN RESOURCING</b></p> <p>Loss of key staff, being under-resourced or project development teams lacking requisite expertise inhibits the ability to achieve objectives.</p>				<p><b>FY22 ACTION</b></p> <ul style="list-style-type: none"> <li>13 appointments, 4 terminations</li> </ul>	

IMPACT	LIKELIHOOD	OVERALL
SIGNIFICANT	PROBABLE	M MEDIUM
MODERATE	POSSIBLE	L LOW
MINOR	REMOTE	VL VERY LOW

# REMUNERATION REPORT

This report sets out Equites' remuneration philosophy and policy for executive and non-executive directors and is presented in three parts:

- i) The background statement which provides context to the company's remuneration policy and performance;
- ii) An overview of the forward-looking remuneration policy; and
- iii) The implementation report which sets out in detail how the existing policy has been implemented during the year under review, and discloses payments made to non-executive and executive directors during the year.

The Remuneration Committee's ("the Committee") mandate is to ensure that Equites' remuneration policies and decisions continue to support the achievement of the Group's strategic objectives in a manner that is fair and responsible, and that encourages individual performance. The current policies have been developed over a number of years in consultation with our shareholders and remuneration specialists, and are founded on an understanding of the unique culture of innovation and excellence at Equites.

The Committee remains committed to maintaining a strong and healthy relationship with Equites' stakeholders, which is built on trust and a clear understanding of our remuneration policy and the practices that have been implemented.

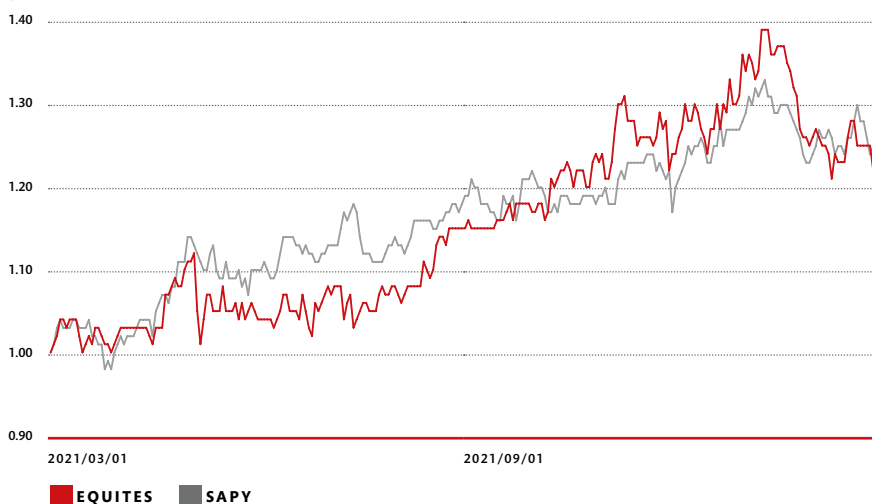
The Committee consistently benchmarks, monitors and reviews its remuneration policy to ensure that it continues to fulfil its purpose of driving the execution of our strategy and the delivery of value for all our stakeholders over the short-, medium- and long-term. Although we continue to improve on our disclosure practices, based on the benchmarking, monitoring, review and through consultation with shareholders during the year under review, the Committee believes that no substantive changes to the remuneration policy are required for FY23. The Committee is satisfied that it has fulfilled its responsibilities in accordance with its mandate for the 2022 financial year and that the remuneration policy achieved its stated objectives.

## PART 1: BACKGROUND STATEMENT

### INTRODUCTION

The 2022 financial year continued to be marred by the impacts of global lockdowns and the resultant fallout in global supplier and financial markets. Despite these challenges, Equites remained resilient and once again emerged as a top performer in the REIT sector of the JSE. This year represents the eighth year in which Equites has continued to create shareholder value and deliver on its strategy.

### EQUITES MARGINALLY OUTPERFORMED THE SAPY INDEX



Equites' remuneration policy is guided by its business strategy, namely, to build a sustainable property portfolio which generates long-term shareholder value. The business has grown from a property portfolio of R1 billion in 2014 to R25.7 billion in 2022. Throughout this period, the company has delivered both income and capital growth, delivering a total return of 231% to shareholders since listing (Source: Refinitiv).

The business has implemented its geographical diversification strategy successfully, with 38% of its Investment Property portfolio now situated in the UK. This expansion has provided Equites with exposure to the most advanced logistics market in the world, whilst providing a hedge against the emerging market risk in South Africa.

Testament to its resilient performance, in a period impacted by continued pandemic-related uncertainty, Equites delivered total shareholder returns of 20.3% over FY21 and FY22 compared to SAPY total returns of 3.3% over the same period (Source: Refinitiv).

Other notable achievements for the year under review include:

- Growing the Investment Property portfolio by 34% from R19.3 billion at Feb-21 to R25.7 billion at FY22.
- Maintaining a loan-to-value ("LTV") ratio of 31.5%, demonstrative of a conservative capital structure.
- Concluding a strategic venture with Eskom Pension and Provident Fund ("EPPF") which would serve as an alternative source of equity capital should equity capital markets not be conducive to fund raising.
- Concluding agreements for the development of five modern distribution facilities in SA, with a combined capital value of c.R1 billion, let to blue-chip tenants on long dated leases.
- Completing the development of Amazon Peterborough, the first completed building developed through the Newlands strategic partnership in the UK.
- Improving the property fundamentals in the portfolio to comprise 97.2% A-grade tenants with a combined WALE of 13.7 years.
- Achieving a zero percent vacancy in the SA portfolio, which spans 1 207 000m<sup>2</sup> in GLA.
- Delivering three new EDGE-certified buildings to the market.
- Achieving 34% improvement in ESG rating as analysed by Sustainalytics.

To be successful in implementing its strategy, a business needs its own specialist and dedicated management team, a support team to deliver consistently and on time, and systems that are robust and sustainable. Rewarding and retaining high-performing individuals in a challenging economic environment require a thoughtful, innovative approach to remuneration practices and policies. The remuneration policy which aims to address these objectives is detailed in Part 2 of this report.

### **FY22 REMUNERATION OUTCOMES FIXED REMUNERATION**

Given the significant changes in the business since 2017, particularly the complexity of operations and business growth, the Committee undertook a detailed benchmarking exercise in the prior year to ensure that the executive and non-executive directors were being compensated fairly and in line with sector peers. The details of this exercise is set out in our FY21 report and is summarised in Part 3 of this report.

Following on these adjustments, the Committee approved an inflationary increase of 6% for executive directors for FY23, effective from 1 March 2022. The salary adjustments approved for other staff is similarly based on a 6% base-level adjustment, with specific adjustments made to individual employees who had outperformed during the year or where individuals were remunerated below market.

### **VARIABLE REMUNERATION STI**

In terms of the STI, strong growth in total return, portfolio growth, an improvement in ESG metrics, as well as the achievement of personal performance conditions resulted in an outcome of 120% of TGP for the CEO and 100% for the CFO and COO.

### **LTI**

As detailed in our FY21 report, following extensive consultation with our shareholders in FY20, the Committee reviewed and approved the replacement of the previous LTI performance metrics, which were based on distribution per share, with metrics which are weighted towards total return, growth in the portfolio, risk (LTV) and sustainability metrics. The purpose of this change was to align the LTI performance metrics to total return and long-term shareholder value creation and to move away from performance metrics primarily linked to DPS.

The changes to the performance measures are applicable to all LTI awards made from FY21 onwards. Upon careful deliberation, and following extensive consultation with our shareholders, the Committee decided to also replace the previous DPS performance condition for the 2019 and 2020 awards with the new metrics as the Committee had determined these new metrics to be a fairer and more reasonable measure of Equites' overall business performance in the current environment and better aligned to Equites' strategic vision of becoming a globally relevant REIT with a focus on creating long-term shareholder value. Moreover, in a period during which most SA REITs changed their distribution policies and reduced their payout ratios, the reference to only DPS was no longer deemed to be an appropriate reflection of the company's performance and the change in metrics further serves to mitigate against unforeseen windfall gains. .

In light hereof, performance during the period resulted in the LTI vesting of 175.7%. More detail on this is set out under the LTI outcomes section in Part 3.

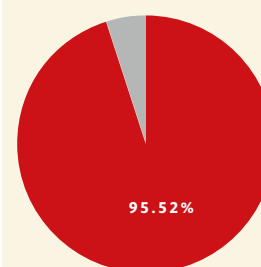
### **FEEDBACK FROM 2021 ENGAGEMENT**

Equites engages with shareholders regarding its remuneration policy and implementation on an annual basis. The intention of the engagement is to obtain shareholder insights and concerns and to ensure that the remuneration policy is adapted accordingly.

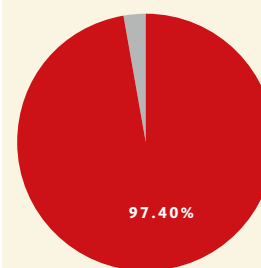
It is believed that the engagement undertaken during the year under review gave effect to King IV's intended outcome of understanding the legitimate and reasonable needs, interests, and expectations of our key stakeholders and key themes raised by shareholders (and set out below) have been incorporated into the policy for the upcoming year. In June 2021, the Company held sixteen shareholder meetings which were attended by the Chair of the Board and the Chair of the Committee. These discussions were detailed, frank and provided valuable insights to the Committee. Equites would like to thank all shareholders for their time and for continuing to engage on these matters.

At the AGM held on 27 July 2021, shareholders gave a positive non-binding advisory vote of 95.62% endorsing the 2021 remuneration policy (2020: 90.4%) and 97.40% (2020: 93.8%) endorsing the implementation report. The Committee believes that this vote was only possible through proactive engagement and valuable discussions with our shareholders.

### **NON-BINDING RESOLUTION 1: REMUNERATION POLICY**



### **NON-BINDING RESOLUTION 2: IMPLEMENTATION REPORT**



■ VOTES IN FAVOUR  
■ VOTES AGAINST

The Committee looks forward to continuing these discussions with our shareholders during FY23 and welcomes proactive feedback from all shareholders prior to the AGM. The Committee will respond to queries and input from shareholders in writing and will hold consultations with Equites' top 10 shareholders as well as any shareholders who specifically requests a consultation. All shareholders are encouraged to contact [investors@equites.co.za](mailto:investors@equites.co.za) to request specific engagement or to pose questions directly relating to the remuneration policy or implementation report.

## REMUNERATION REPORT CONTINUED

As in prior years, shareholders will be requested to cast a non-binding vote on both the remuneration policy and the 2022 implementation report at the annual general meeting to be held on 17 August 2022. If either the remuneration policy or the implementation report receive 25% or more dissenting votes from shareholders at the AGM, the Board and the Committee will:

- Institute a formal engagement process with interested shareholders to assess their views;
- Address legitimate and reasonable objections raised; and
- If required, amend the remuneration policy or clarify and/or adjust the remuneration governance, processes or disclosure.

Below is a summary of the pertinent feedback received following our engagement with shareholders during the year under review, along with Equites' comment or action for resolution:

COMMENT OR CONCERN	RESOLUTION
<b>REMUNERATION POLICY</b>	
1. Investors were pleased with the introduction of total return metrics as opposed to short-term distribution per share metrics.	The Committee noted the general theme of investors moving away from assessing REITs only on distribution per share together with the positive shareholder feedback and is therefore satisfied with the decision to move away from DPS to metrics which are weighted towards total return, responsible and sustainable growth in the portfolio and sustainability metrics.  This informed the Committee's decision to also apply the total return, growth and sustainability metrics to the 2019 and 2020 awards.
2. Two investors noted that they would like to see transformation and ESG included in more granular detail in the personal performance objectives for the short-term incentives.	The Committee has included more detail around the personal performance objectives which include sustainability and transformation objectives.
<b>IMPLEMENTATION REPORT</b>	
3. Three investors questioned the selection of the comparator group chosen in the benchmarking exercise conducted by PwC. Despite questioning the process, they noted that they were satisfied with the final outcome of the exercise.	The Committee noted that the exercise of selecting comparable companies isn't an exact science but the comparison aimed to take into account key metrics which define the complexity and performance of a REIT (market capitalisation, square meters of property under management, distributable income per square meter under management and total assets).

### REMUNERATION CONSULTANTS

The Committee used the services of specialists from PwC during the year to assist with reviewing the remuneration report and the Committee is satisfied that the services rendered by PwC were independent and objective.

### UPDATE ON ACTIVITIES UNDERTAKEN DURING THE YEAR

The Committee fulfilled the following main duties during the reporting period:

- Engaged proactively with shareholders to understand their concerns regarding the remuneration policy and implemented changes for the upcoming year.
- Reviewed the remuneration policy to ensure that it remains appropriate and aligned with the Group's strategic objectives.
- Reviewed the outcomes of remuneration policy implementation to assess whether the policy's objectives had been achieved over the past financial period.
- Approved TGP increases for executive directors.
- Reviewed performance outcomes and approved the STI payments to the executive directors for the FY22 financial period.
- Reviewed performance outcomes and approved the vesting of shares in respect of the 2019 LTI award.
- Reviewed and approved the grant of LTI awards to the executive directors for the FY22 financial period.
- Suggested changes to the non-executive directors' fees to be approved at the AGM.
- Oversaw the preparation of the remuneration report and ensured that the remuneration policy and implementation report are put to a non-binding advisory vote at the AGM.
- Increased the focus on the principle of fair and responsible remuneration in the year under review, with an emphasis on addressing the internal wage gap as well as any gaps in race or gender. This also includes extending participation in the LTI to all employees across the organisation.
- In consideration of fair and responsible pay, the Committee considered the legislated minimum wage and ensured that the lowest earning employees are remunerated well above this level. In FY22, our lowest earning employee earned 3.14 times the minimum wage. Equites deems this to be a "living wage" and, over and above such wage, contributes to the well-being of these employees through other methods including medical aid subsidies, cell phone allowances and contributions to retirement savings. Further detail on how Equites pursues fair and responsible remuneration is provided in Part 2 below.

In addition to the above and in line with our philosophy regarding fair and responsible pay, the executive directors were mandated to consider individual job roles within the organisation and to benchmark these to ensure that the TGP of roles below executive level remain market-related, particularly in light of the growth in the Company over the past four years and also to ensure parity in treatment between the TGP of executives and that of employees below executive level. Where TGP was identified as being below the market, adjustments were made to the TGP of those employees in order to bring them in line with the market. The resultant increase across the employee category was 12.0%.

#### **FUTURE AREAS OF FOCUS CONTINUED FOCUS ON FAIR AND RESPONSIBLE REMUNERATION**

The Committee will strive to cement the application of equal pay for work of equal value to ensure equity is maintained within the Group and how this speaks to fair and responsible remuneration for executive directors compared to employee remuneration. As part of its mandate and in ensuring fair and responsible remuneration practices, the Committee takes into account levels of responsibility, accountability, competencies, performance, and scarcity of skills.

#### **CONTINUING TO LOOK FOR MUTUALLY BENEFICIAL OPPORTUNITIES WITH REGARD TO REMUNERATION AND BENEFITS ACROSS THE GROUP**

The Committee continuously engages with specialists and attends workshops hosted by remuneration consultants to ensure that it remains at the cutting edge of remuneration practices.

## **PART 2: REMUNERATION POLICY REMUNERATION COMMITTEE**

In line with best practice, the Remuneration Committee is appointed by the Board of directors and has delegated authority, in accordance with its terms of reference, to review and make decisions regarding the Group's remuneration policies and implementation thereof. The Committee consists of four independent non-executive directors, namely, Nazeem Khan (chair), Keabetswe Ntuli, Mustaq Brey, Doug Murray and Leon Campher. Details of attendance at meetings is included in the "Corporate Governance" report.

The Committee met two times during the year under review.

The Committee's primary responsibilities are set out in its Terms of Reference and include:

- Overseeing the setting and administering of remuneration at all levels in the Company.
- Overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance.
- Ensuring that executive remuneration is fair and responsible within the context of overall company remuneration.
- Reviewing the outcomes of the implementation of the remuneration policy to assess whether the policy's objectives are being achieved.
- Ensuring that the mix of fixed and variable pay in cash, shares and other elements meets the Company's needs and strategic objectives.
- Satisfying itself as to the accuracy of recorded performance measures that govern the vesting of incentives.
- Ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued.
- Considering the results of the evaluation of the performance of the chief executive officer and other executive directors, both as directors and as executives, in determining remuneration.
- Selecting an appropriate comparator group when comparing remuneration levels.
- Regularly reviewing incentive schemes to ensure continued contribution to shareholder value and ensuring that these schemes are administered in terms of their respective rules.
- Considering the appropriateness of early vesting of share-based schemes at the end of employment.
- Consulting on and making recommendations for approval of the fees payable to non-executive directors.

### **ORGANISATION-WIDE REMUNERATION POLICY OVERVIEW**

	<b>TGP</b>	<b>SHORT TERM INCENTIVES</b>	<b>CONDITIONAL SHARE PLAN</b>	<b>CONDITIONAL SHARE PLAN - MATCHING SHARES</b>
<b>OBJECTIVE</b>	To attract and retain high quality individuals.	To incentivise employees to deliver annual targets and strategic goals.	To incentivise management to deliver long-term shareholder value.	To incentivise management to deliver long-term shareholder value.
<b>PARTICIPATION</b>	All employees.	All employees.	All employees	All employees
<b>PERFORMANCE PERIOD</b>	Ongoing.	One year.	Three years, with a further service-only period of two years.	Two years; only awarded once the conditional share plan has vested.
<b>PERFORMANCE MEASURES FOR FY23</b>	Individual performance.	25% Total return to exceed WACC, 25% Total return to exceed internal hurdle, 25% Portfolio growth and LTV, plus 25% ESG metrics.	25% Total return to exceed WACC, 25% Total return to exceed internal hurdle, 25% Portfolio growth and LTV, plus 25% ESG metrics.	Service-only.
<b>METHOD OF DELIVERY</b>	Cash	Cash	Equites shares	Equites shares
<b>SUBJECT TO MALUS AND CLAWBACK?</b>	No	Yes. Malus and clawback applicable.	Yes. Malus and clawback applicable.	Yes. Malus and clawback applicable.

# REMUNERATION REPORT CONTINUED

For the purposes of the remuneration policy, employees have been categorised into three categories: executive directors (or “executives”), management and other employees. The Group’s pay mix provides for short-term reward, while incorporating long-term incentives. A three-tier remuneration structure for all employees provides a balance between:

TOTAL GUARANTEED PAY	ANNUAL PERFORMANCE-RELATED INCENTIVES	LONG-TERM INCENTIVES
The total guaranteed pay (“TGP”) is the salary for performing the contractual role agreed upon and any benefits accruing during the financial year.	The short-term cash incentive (“STI”) is awarded to employees based on the Group’s annual financial performance as well as individual performance metrics.	The long-term incentive scheme (“LTI”) is designed to attract, retain and reward executives through the award of conditional shares. This serves to align the interests of employees with those of shareholders.

In addition to TGP, all permanent employees receive a component of variable remuneration, dependent on their level and role within the Group. Equites is committed to remunerating fairly and responsibly across the company.

Employees are provided other benefits such as medical aid subsidies and bursaries to fund discretionary studies – these have gone a long way in improving the quality of life for the lowest income earners in the organisation.

### FAIR AND RESPONSIBLE REMUNERATION

Equites views its employees as critical assets as delivery of our strategy is dependent on the shared talent, skills and values of the people throughout the company. The company strives to create an inclusive environment and to reward employees in a manner which is fair and responsible. The principle of fair remuneration is entrenched in our remuneration policy and is based on practices which are free from prejudice, self-interest and which are not inherently biased in any way.

The remuneration for employees is market competitive and includes variable remuneration in the form of an STI and LTI for all employees. In the prior year, only 90% of employees were entitled to the LTI, however, the business has now introduced the LTI benefit to all members of staff. This is to assist in the promoting the financial health of all staff in the business. As detailed above, the executive directors are mandated to consider individual roles within the organisation and benchmark these on an ongoing basis to ensure that the TGP of roles below executive level remain market related. Where any anomalies are identified in the TGP of a particular role, the TGP is adjusted accordingly in order to bring it in line with market.

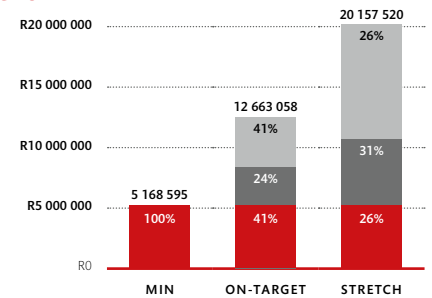
The Group currently performs detailed annual analysis of income differentials, per the requirements of the Employment Equity Act, as one mechanism of identifying and correcting any unjustified income differentials. The Committee uses salary benchmarks to determine market relatedness and which forms a primary input into the annual salary review process. The salaries are reviewed annually in the context of macroeconomic factors, including CPI, market conditions and changes in the scope and role of the individual’s performance whilst being mindful of the Group’s affordability and sustainability of its remuneration practices.

In recognition of the income gap, and as an attempt to start the correction, lower-level salaried employees are typically granted a higher salary increase than higher income earners in the Group. Lower income earners are also awarded a higher medical aid subsidy from the company, in an attempt to neutralise the impacts of salary differentials.

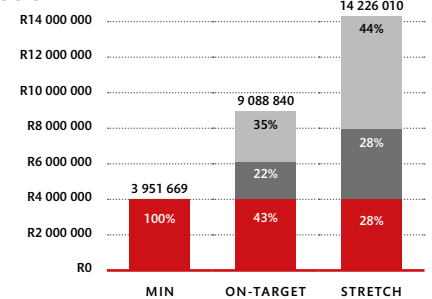
### EXECUTIVE REMUNERATION

The executives’ remuneration is a mix of TGP, STI and LTI. To encourage retention and align executive’s interests with other shareholders, variable pay is weighted more heavily with respect to LTI with an on-target LTI forming 35% of the remuneration mix as set out below.

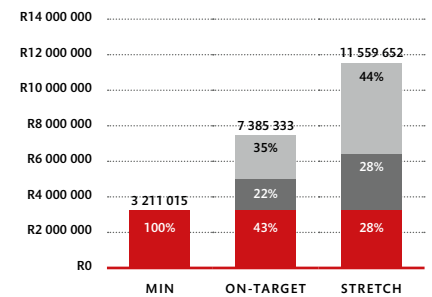
#### CEO



#### COO



#### CFO



TGP STI LTI

On-target variable pay (STI and LTI) comprises more than half of total remuneration. At stretch, the variable pay comprises 75% of the total remuneration for the CEO, and 72% of total remuneration for the COO and CFO. Amounts received under the executive outperformance scheme (“EOS”) have not been included here, as this is not considered to form part of regular annual remuneration.

## TOTAL GUARANTEED PAY

TGP comprises cash salary and benefits and is determined by the scope of the role, performance, and experience. Employee remuneration levels are reviewed annually and assessed against business performance, the scope and nature of the role, relevant companies in the property sector and macroeconomic indicators such as inflation, cost-of-living changes and the labour market, to ensure they are fair and reasonable.

Equites typically benchmarks its executives' TGP to the median of a comparator group of JSE-listed property companies peer companies every three years. The last benchmarking exercise was performed in 2021. The comparator group includes the following companies: Arrowhead, Attacq, Emira, Fortress, Hyprop, Liberty Two Degrees, Redefine, Resilient and Vukile.

## SHORT TERM INCENTIVE

The Group has adopted a multiplier-based STI plan (a bottom-up multiplicative structure) which incorporates both financial (company performance) and individual performance modifiers. The performance-related incentive target for each executive is agreed annually and is based on targets that are verifiable and aligned to the business's operations and strategy. STIs are payable annually after being approved by the Committee and release of the audited financial statements. Any annual performance-related incentive pay-outs received in terms of plan are paid in cash.

The following formula is applied to incorporate the multiplier model:

STI	=	ON-TARGET INCENTIVE %	X	FINANCIAL MODIFIER	X	PERSONAL MODIFIER
CEO		60% of TGP		0% – 200%		0% – 150%
COO		50% of TGP		0% – 200%		0% – 150%
CFO		50% of TGP		0% – 200%		0% – 150%

The multiplicative approach results in zero bonuses if either the Financial Modifier or Personal Modifier is 0%.

The maximum STI payable to an individual director is limited to the stretch financial modifier percentage, i.e. the bonus payable can never exceed 120% of TGP for the CEO and 100% of TGP for the COO and CFO.

## FINANCIAL MODIFIER

The financial modifier is determined with reference to a balance of financial and non-financial metrics:

	WEIGHTING	THRESHOLD	TARGET	STRETCH
Total return to exceed weighted average cost of capital ("WACC")	25%	Total return to be equal to WACC	Total return to exceed WACC by 10%	Total return to exceed WACC by 15%
Total return to be equal to, or exceed, specified internal benchmark	25%	Total return to be equal to, or exceed 10%	Total return to be equal to, or exceed 12%	Total return to be equal to, or exceed 14%
Portfolio growth and LTV conditional upon meeting property fundamentals and IRR hurdles*	25%	Portfolio growth of R2 billion whilst maintaining target LTV	Portfolio growth of R2 billion whilst maintaining target LTV	Portfolio growth of R3 billion whilst maintaining target LTV
ESG metrics which measures the group's approach to sustainability and improvements year on year (refer to Sustainability report for further details)	25%	Maintain ESG score as measured by Sustainalytics	Improve ESG score as measured by Sustainalytics to improve by 7.5%	Improve ESG score as measured by Sustainalytics to improve by 10%
<b>FINANCIAL MODIFIER ACHIEVED</b>		<b>0%</b>	<b>100%</b>	<b>200%</b>

\* Given the dramatic increase in the size of the portfolio, the portfolio growth metric was linked to an absolute number instead of a percentage, to encourage the correct behaviour.

Linear apportionment is used between the specific levels tabulated above to prevent binary outcomes.

## PERSONAL MODIFIER

The Committee agrees personal objectives with each executive director at the beginning of the financial year. Personal objectives are assessed at the end of the year and result in a modifier from 0-150%. The maximum STI payable to an individual director is, however, limited to the stretch financial modifier percentage, i.e. the bonus payable can never exceed 120% of TGP for the CEO and 100% of TGP for the COO and CFO.

The personal performance indicators comprise of targets relating to business growth, operational metrics, financial metrics, leadership, stakeholder management, innovation and transformation. Details of the individual personal performance conditions are included in the implementation section of this report, along with the assigned weightings and outcomes of the current year assessment.

## REMUNERATION REPORT CONTINUED

The personal performance conditions to be used in FY23 incorporates feedback from the shareholder engagements conducted in July 2021. These conditions are set out below:

	DESCRIPTION	MEASUREMENT TARGET	ANDREA TAVERNA-TURISAN MAX %	GERHARD RIAAN GOUS MAX %	LAILA RAZACK MAX %
<b>BUSINESS GROWTH</b>					
	Grow income generating asset base	Growth in income-producing properties in both SA and the UK greater than 10%	10%	10.00%	10.00%
	Grow gross revenue	Growth in gross revenue to exceed 8% per annum	8%	10.00%	10.00%
			<b>20.00%</b>	<b>20.00%</b>	<b>20.00%</b>
<b>OPERATIONAL METRICS</b>					
	Monitor property expense ratio	Maintain property expense ratio below 15%	15%	7.50%	7.50%
	Monitor operating expense ratio	Maintain operating expense ratio below 20%	20%	7.50%	7.50%
	Monitoring vacancy ratio	Maintain vacancy ratio below 5%	5%	7.50%	7.50%
	Monitor arrears ratio	Maintain arrears at less than 1% of total revenue	1%	7.50%	7.50%
			<b>30.00%</b>	<b>30.00%</b>	<b>30.00%</b>
<b>LEADERSHIP, COHESION, STAFF MANAGEMENT AND COMPANY CULTURE</b>					
	Ensuring fully committed and motivated team	Staff survey results to indicate >90% overall staff satisfaction as measured by relevant questions	90%	10%	10%
	New hires in line with EE plan submitted to Department of Labour	% new hires in line with employment equity plan submitted in Jan of prior year	100%	5%	5%
	Staff turnover	More than 90% staff retention	90.0%	5%	5%
			<b>20.00%</b>	<b>20.00%</b>	<b>20.00%</b>
<b>ADDITIONAL OPERATIONAL METRICS</b>					
	Focus on letting vacant space	Let more than 90% of vacant space for the year under review	90.0%		
	Tenant retention ratio	Maintain tenant retention ratio above 90%	90.0%	7.50%	7.50%
				<b>15.00%</b>	
<b>FINANCIAL MANAGEMENT</b>					
	Maintain conservative LTV	Maintain LTV below 40%	40%	10.00%	10.00%
	Manage debt expiry profile	Maintain debt expiry above 3 years	3.00		5%
	Implement currency hedging strategy	Maintain hedging level in line with policy	100%		10%
	Maintain credit rating	Maintain (50%) or improve (100%) credit rating with GCR	100%		10%
					<b>25.00%</b>
<b>STAKEHOLDER MANAGEMENT</b>					
	Effective and efficient functioning of the board	Board survey to indicate Board satisfaction in excess of 80%	80%	10%	10%
	Managing major shareholder interactions	Qualitative	100%	10%	
	Media engagement	Qualitative	100%	10%	
			<b>30.00%</b>	<b>10.00%</b>	<b>10.00%</b>
<b>ENGAGEMENT WITH DEBT HOLDERS</b>					
	Ongoing negotiations with third party lenders	Funding margin reflective of top tier within the REIT group	100%		10%
	Diversify sources of funding and minimising funding costs	More than five sources of funding	5.00		10%
			<b>0.00%</b>	<b>0.00%</b>	<b>20.00%</b>
<b>IMPLEMENTATION OF ACQUISITIONS</b>					
	Leading due diligence on all material transactions	Qualitative	100%	15%	
	Overseeing and implementing all acquisitions seamlessly	Qualitative	100%	15%	
			<b>0.00%</b>	<b>30.00%</b>	<b>0.00%</b>
<b>INNOVATION</b>					
	Cementing Equites position of excellence in logistics market	Qualitative	100%	12.50%	
	Involvement with education and brand awareness	Qualitative	100%	12.50%	
			<b>25.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>TRANSFORMATION</b>					
	Focus on ownership transformation	Maintain an ownership score >51%	51%	7.50%	7.50%
	Maintain industry leading BBBEE score	Maintain level at or below 3	3.00	7.50%	7.50%
			<b>15%</b>	<b>15%</b>	<b>15%</b>
			<b>150%</b>	<b>150%</b>	<b>150%</b>



## LONG-TERM INCENTIVE

Long-term incentive awards are granted annually in the form of conditional shares in Equites Property Fund Limited ("performance shares"). The Committee believes that using this type of award aligns the interests of the executive and shareholder and allows the executive the opportunity to share in the success of Equites over the long-term. The total quantum of shares (at face value) awarded for the year is set at 85% of TGP for the CEO and 80% of TGP for the COO and CFO based on the 30-day VWAP on the date of the award.

All awards are subject to performance conditions and require the participant to be employed by the Group until the 31st May following the end of the 3-year performance period.

As noted in the background statement, all LTI awards from 2019 onwards are subject to the following performance conditions:

	WEIGHTING	THRESHOLD (30% VESTING)	TARGET (100% VESTING)	STRETCH (200% VESTING)
Total return to exceed weighted average cost of capital ("WACC")	25%	Total return to be equal to WACC over a three-year period	Total return to exceed WACC by 10% over a three-year period	Total return to exceed WACC by 15% over a three-year period
Total return to be equal to, or exceed, specified internal benchmark	25%	Total return to be equal to, or exceed 10% over a three-year period	Total return to be equal to, or exceed 12% over a three-year period	Total return to be equal to, or exceed 14% over a three-year period
Portfolio growth and LTV*	25%	Portfolio growth of R6 billion in aggregate whilst maintaining target LTV over a three-year period	Portfolio growth of R6 billion in aggregate whilst maintaining target LTV over a three-year period	Portfolio growth of R9 billion in aggregate whilst maintaining target LTV over a three-year period
ESG metrics which measures the group's approach to sustainability and improvements year on year (refer to Sustainability report for further details)	25%	Maintain ESG score as measured by Sustainalytics over a three-year period	Improve ESG score as measured by Sustainalytics by 7.5% over a three-year period	Improve ESG score as measured by Sustainalytics by 10% over a three-year period

\* Given the dramatic increase in the size of the portfolio, the portfolio growth metric was linked to an absolute number instead of a percentage, to encourage the correct behaviour.

The Committee obtained independent external verification of all computations in the STI and LTI awards actually awarded in the current year.

Following the end of the three-year performance period, performance shares vest and are settled to a participant, adjusted in line with the performance conditions, as assessed and approved by the Committee. In order to further the long-term alignment between the interests of executives and our shareholders, for plan purposes (i.e. they can no longer be forfeited provided the participant remains in employment for the requisite period) but the vested performance shares are locked up and participants are restricted from disposing of the shares until such time as the further 2 year holding period has lapsed, thereby ensuring that executives have additional 'skin-in-the-game'.

Upon vesting of the performance shares, executives will receive a conditional award of matching shares (1 matching share for every 3 vested conditional shares), on a 3-for-1 basis (i.e. by 33.3%) which The matching shares will be subject to the executive remaining in the employ of the company until the expiry of the post-vesting such time as the holding period on the vested performance shares expires, at which time the matching shares will vest. at which time participants will also receive their matching shares in full.

Where a participant's employment is terminated after the initial performance period of the conditional shares, but before the end of the additional post-vesting 2-year holding period, the vested performance shares are released on will be released from the holding period on the termination date and the participant will forfeit the matching shares in full in full.

## MALUS AND CLAWBACK

Equites has a malus and clawback policy in place which is applicable to all staff including executive directors which allows the Group to reduce or recoup both long-term and short-term incentives prior to payment / vesting and for a period of two years after the payment / vesting date.

Malus provisions apply before awards have vested or been paid to an employee whilst clawback provisions apply to awards that have already vested or been paid to an employee. Malus and clawback may both be instituted following the discovery of a "trigger event".

Trigger events include but are not limited to the material misstatement of financial statements and actions, omissions or conduct of participants which may amount to gross misconduct, gross negligence, dishonesty, or fraud.

This policy applies to all incentive awards made to staff including executive directors following the effective date of the policy, i.e. January 2021.

## SHARE USAGE LIMIT

The scheme rules limit the allocation of shares in terms of the long-term incentive scheme to 20 million shares in aggregate and 4 million shares per participant, representing 2.58% and 0.52% of the current shares in issue respectively. The current usage level is set out in the implementation report.

## REMUNERATION REPORT CONTINUED

### EXECUTIVE OUTPERFORMANCE SCHEME ("EOS")

The Board introduced an EOS in 2018 to identify key members of the executive and staff who have been instrumental in building the success of the company, and to incentivise these members to remain with the company. The scheme was introduced on 31 August 2018 and is effective for 5 years from this date.

The performance conditions applicable to the EOS are linked to market capitalisation and distribution per share growth and are on an "all-or-nothing" basis to reward specific outperformance. The EOS is not intended to be awarded on a regular basis and following this first award, no further awards have been issued, or are contemplated under the EOS. The scheme is cash settled and linked to a notional number of shares on grant.

During the year under review, the Committee reviewed the EOS award made to Laila Razack in August 2018. At the time of the award, Ms. Razack received an award commensurate to her salary in her role as Head of Finance. Ms. Razack was appointed as the Chief Financial Officer on the 26th May 2020. Having considered the importance and complexity of the role, the Committee has amended Ms. Razack's EOS award to partially reflect the salary which would have been payable to the CFO at the time of the award. This award has therefore been prorated to account for the period in which Ms Razack served in the capacity as CFO. The adjustment is prospective and will impact the value of the award accruing to Ms. Razack upon vesting in August 2023.

**DETAILS OF THE AWARDS GRANTED, AND ASSOCIATED PERFORMANCE CONDITIONS AND TARGETS ARE SET OUT IN THE IMPLEMENTATION REPORT ON PAGE 82.**

### EXECUTIVE SERVICE CONTRACTS AND SIGN-ON AWARDS

Executive directors hold permanent employment contracts with six-month notice periods. Equites does not grant sign-on awards to any executive directors upon joining the company. The company may decide to award sign-on bonuses to individual employees below the executive level. This is assessed on a case-by-case basis.

### TERMINATION ARRANGEMENTS AND CHANGE OF CONTROL

On termination, directors are entitled to their TGP for the period of service and any accrued leave balances owing to them. No provision is made for other severance payments of any kind. Termination does not trigger any accelerated vesting conditions relating to the LTI or balloon payments. STI amounts are only payable to employees that are employed at the end of May following the end of the financial year to which the STI relates. Employees who resign or are dismissed will forfeit all unvested LTI awards. Employees who leave for injury, ill-health, disability, retrenchment, or any other reason determined by the Committee will receive a pro-rata vesting of any unvested LTI awards based on performance achieved and number of complete months served during the vesting period.

In the event of a change of control occurring before the vesting of awards, a portion of the awards will vest early and will be pro-rated based on performance achieved and number of complete months served from the award date to the date of the change in control. The portion of the award which does not vest early will remain subject to the terms of the Equites Conditional Share Plan and the Committee may make such adjustments to the number of shares comprising the award to place the employees in no worse a position than they were prior to the change in control.

### NON-EXECUTIVE REMUNERATION

Non-executive directors do not have employment contracts and do not receive any benefits associated with permanent employment. Their fees as directors are determined as a Board member base fee and attendance fees based on their committee obligations. In line with best practice recommendations, the chairman receives a fixed annual fee that is inclusive of all Board and committee attendances as well as all other tasks performed on behalf of the Group. Equites pays for all travelling and accommodation expenses in respect of Board meetings. Details of all non-executive fees paid during FY22 are included in the implementation report.

The table below indicates the proposed fees for the upcoming year, to be approved by the shareholders at the AGM to be held on 25 July 2022:

ROLE	FY23		FY22		% CHANGE
	BASE FEE	ATTENDANCE FEE	BASE FEE	ATTENDANCE FEE	
Chairperson of the Board*	R961 785	—	R907 344		6.0%
Board member	R338 483	—	R319 324		6.0%
Chairperson of the Audit Committee	—	R69 706	R65 760		6.0%
Member of the Audit Committee	—	R44 091	R41 595		6.0%
Chairperson of other sub-committees*	—	R46 150	R43 538		6.0%
Member of other sub-committees**	—	R30 328	R28 611		6.0%

\* Note the chairperson of the Board only receives a base fee and does not receive any fees for serving on any of the committees.

\*\* Note that Equites does not differentiate between the chairpersons' fees (or member fees) of the Remuneration Committee, Nominations Committee, Social and Ethics Committee, Risk and Capital and Investments Committee.

In addition to the above, the following ad hoc fee is also being tabled for approval at the Company's upcoming AGM: That non-executive directors be paid an amount of R2 000 (two thousand Rand) per hour excluding VAT, in respect of work performed by them as required in extraordinary circumstances where the requirements placed on the non-executive directors are well beyond what would reasonably be expected, provided that payment in respect of any such additional work is approved by the Committee.

### PART 3: IMPLEMENTATION

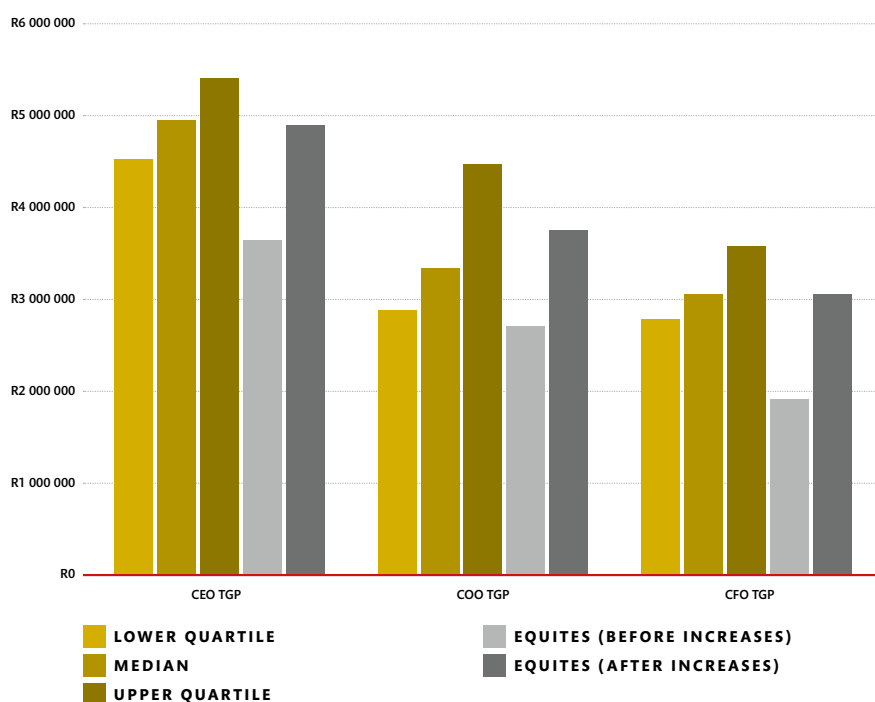
The Committee confirms that the company has complied with all aspects of the remuneration policy for the year under review. This is detailed below.

#### TGP ADJUSTMENTS FOR FY22

Equites typically benchmarks its executives' TGP to peer companies every three years in order to ensure that the Group's total remuneration packages and pay mix are appropriate within the market in which it operates. As indicated in the FY21 report, a benchmarking exercise was due to be conducted in 2020, however, this was deferred due to the economic uncertainty presented by COVID at the time. The Committee deliberated and subsequently decided that an external benchmarking should be conducted in February 2021 to establish whether executives' TGP remained competitive since the 2017 benchmarking exercise in light of the significant growth in the business and was adequate to attract and retain the required level of experience and expertise required for the Group. Over the period ranging from 2017 to 2021, the company has grown its portfolio value from R6 billion at February 2017 to a portfolio value of R19.7 billion at February 2021 and increased its GLA (completed properties) under management from 391 954m<sup>2</sup> at Feb-17 to 1 146 354m<sup>2</sup> at Feb-21. Over the same period, Equites has delivered total shareholder returns<sup>1</sup> of 62.5% as a result of strong distribution and NAV growth.

The TGP for executive directors was benchmarked against comparable property counters<sup>2</sup>, with a focus on those listed on the JSE, taking into account adjustments for both size and performance. These adjustments included the market capitalisation, square metres of property under management, distributable income per square meter under management and total assets. A regression analysis was performed using the comparative set combined with the size and performance metrics. Based on the regression analysis performed, it was determined that the TGP for all executives was significantly lower than that of the comparator group, being below the lower quartile in all instances. This was in large due to the growth in Equites over the four years following the last external benchmarking exercise.

#### EXECUTIVE DIRECTORS



As noted in our FY21 report, the Committee concluded that in order to achieve the desired result of attracting and retaining high calibre individuals, the TGP of the executive directors should at least be reflective of the median of the comparator Group and implemented increases in TGP to affect this result. The graph below illustrates Equites' executives' TGP against that of the comparator group, both before and after the increases.

Following this adjustment, the Committee has approved only inflationary increases for executives for FY23 (as noted in the background statement) and will continue to apply reasonable inflationary adjustments to executive director's remuneration for the next two years, following which this position will be reassessed.

- 1 Total shareholder return is defined as growth in Net Asset Value plus cash distributions declared to shareholders over the period.
- 2 The comparator set includes Arrowhead, Attacq, Emira, Fortress, Hyprop, Liberty Two Degrees, Redefine, Resilient and Vukile. Growthpoint was specifically excluded from the comparator Group due to the property portfolio and market capitalisation being too large.

#### FOR FY23

An increase of 6% was approved for both executive and non-executive directors for FY23. In line with our philosophy around fair and responsible pay, the executive directors were mandated to consider individual job roles within the organisation and to benchmark these to ensure that the TGP of roles below executive level remain market related, particularly in light of the growth in the Company over the past four years and also to ensure parity in treatment between the TGP of executives and that of employees below executive level.

Several employees were identified to fall into this category and the executives adjusted these salaries to be reflective of the value which these employees add to the business. The resultant increase across the employee category was 12.0% in the current year.

## REMUNERATION REPORT CONTINUED

### SINGLE FIGURE OF REMUNERATION

	SHORT TERM REMUNERATION			LONG TERM REMUNERATION		TOTAL REMUNERATION R'000
	GUARANTEED PAY		VARIABLE	VARIABLE		
	SALARY R'000	BENEFITS R'000	PERFORMANCE BONUS R'000	VALUE OF EQUITY SETTLED SHARE BASED INCENTIVES VESTED R'000	DIVIDEND EQUIVALENT ON EOS R'000	
<b>2022</b>						
<b>EXECUTIVE DIRECTORS</b>						
Andrea Taverna-Turisan	4 876	22	5 851	7 215	1 350	19 314
Gerhard Riaan Gous	3 728	22	3 728	5 038	1 016	13 531
Laila Razack	3 029	22	3 029	476	345	6 901
	<b>11 633</b>	<b>66</b>	<b>12 608</b>	<b>12 729</b>	<b>2 711</b>	<b>39 747</b>
<b>2021</b>						
<b>EXECUTIVE DIRECTORS</b>						
Andrea Taverna-Turisan	3 634	9	4 162	5 850	1 265	14 920
Gerhard Riaan Gous	2 697	9	2 576	4 085	938	10 306
Laila Razack	1 899	20	360	379	319	2 976
	<b>8 231</b>	<b>38</b>	<b>7 098</b>	<b>10 314</b>	<b>2 522</b>	<b>28 203</b>

### SHORT-TERM INCENTIVE

During the year under review, the following performance metrics were used to determine the financial performance modifier:

PERFORMANCE CONDITION	WEIGHTING	THRESHOLD (30% VESTING)	TARGET (100% VESTING)	STRETCH (200% VESTING)	ACTUAL PERFORMANCE	ACTUAL VESTING (% OF PERFORMANCE SHARES)
Total return to exceed WACC	25%	Total return to be equal to WACC	Total return to exceed WACC by 10%	Total return to exceed WACC by 15%	24.6%	50.0%
Total return to exceed benchmark	25%	Total return to be equal to, or exceed 10%	Total return to be equal to, or exceed 12%	Total return to be equal to, or exceed 14%	24.6%	50.0%
Portfolio growth and LTV	25%	Portfolio growth of 5% whilst maintaining target LTV	Portfolio growth of 10% whilst maintaining target LTV	Portfolio growth of 15% whilst maintaining target LTV	73.41%	50.0%
ESG metrics to improve	25%	Maintain ESG score as measured by Sustainalytics over three year period	Improve ESG score as measured by Sustainalytics by 7.5% over three year period	Improve ESG score as measured by Sustainalytics by 10% over three year period	10.00%	50.0%
<b>TOTAL</b>					<b>STRETCH</b>	<b>200.0%</b>

Linear interpolation is used between the specific levels tabulated above to prevent binary outcomes.

The table below illustrates the actual STI financial modifier targets and outcomes:

NAME	ACTUAL COMPANY PERFORMANCE	FINANCIAL MODIFIER	PERSONAL MODIFIER*	RESULTING AWARD LEVEL AS % OF TGP	TOTAL STI AS PER SINGLE FIGURE TABLE (R'000)
Andrea Taverna-Turisan		120%	100%	120%	5 851
Gerhard Riaan Gous	Benchmark + 200%	100%	100%	100%	3 728
Laila Razack		100%	100%	100%	3 029

The financial modifier is 0% on achieving the threshold performance and 100% on achieving the on-target performance, with linear interpolation if the actual result falls between these points.

For FY22, the financial modifier amounted to 200%.

As part of the shareholder engagement in June 2021, the Committee undertook to include personal performance objectives relating to sustainable business growth and increased focus on transformation. These were incorporated into the measured metrics for this period and the Committee's evaluation of the 2022 personal performance conditions was as follows:

	ANDREA TAVERNA TURISAN		GERHARD RIAAN GOUS		LAILA RAZACK		COMMENT
	MAX %	RESULT	MAX %	RESULT	MAX %	RESULT	
<b>BUSINESS GROWTH</b>							
Growth in income-producing properties in both SA and the UK greater than 10%							Grew investment property portfolio by 24% during the period under review.
Growth in gross revenue to exceed 8% per annum	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	Concluded new development deals with major retailers. Gross revenue increased by 32% driven by high quality acquisitions and developments.  All investment decisions met internal risk adjusted hurdle rates.
<b>OPERATIONAL METRICS</b>							
Maintain property expense ratio below predetermined threshold							Property expense ratio within target band. Minimal non-recoverable expenditure in the context of the portfolio.
Maintain operating expense ratio below predetermined threshold							Operating expense ratio within the target band.
	30.0%	28.61%	30.0%	28.61%	30.0%	28.61%	Management have contained admin costs despite growing the property portfolio significantly.
Maintain vacancy ratio below predetermined threshold							Vacancy of 0.1% in the portfolio. 0% vacancy at the time of publishing this report.
Maintain arrears ratio below predetermined threshold							Insignificant arrears

## REMUNERATION REPORT CONTINUED

	ANDREA TAVERNA TURISAN		GERHARD RIAAAN GOUS		LAILA RAZACK		COMMENT
	MAX %	RESULT	MAX %	RESULT	MAX %	RESULT	
<b>LEADERSHIP COHESION, STAFF MANAGEMENT AND COMPANY CULTURE</b>							
Ensuring fully committed and motivated team as measured by staff survey							Staff are well motivated as indicated by staff engagement survey which was conducted in Q2 2022.
Ensure that new hires are employed in line with the employment equity plan submitted to the department of labour	20.0%	18.17%	20.0%	18.17%	20.0%	18.17%	Management promotes training and development which encourages staff to be more engaged. Over the past year, Management have approved and paid for six employee's studies and provided them with study leave, wrap around support and mentoring.
Maintain a staff retention ratio greater than 90%							Three staff members left the employ of the business during the year under review; 2 out of 3 of these employees left as a result of relocation and/or retirement.  The Executive have considered diversity of race, gender and background in all hiring processes.
<b>ADDITIONAL OPERATIONAL METRICS</b>							
Focus on letting vacant space to ensure minimal vacancies in the portfolio							All SA industrial space let at the date of this report.
Maintain tenant retention ratio above predetermined level	N/A	N/A	15.0%	15.0%	N/A	N/A	There were a limited number of leases which came up for renewal in FY22.  Actively engaging with all tenants including who have leases expiring within the next 12 months and certain tenants who have leases expiring in the following years to ensure that we maintain our retention ratio.
<b>FINANCIAL MANAGEMENT</b>							
Maintain LTV below 40% whilst taking into account the pipeline of acquisitions and disposals	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	LTV at 31.5% at financial year end; this is the second lowest in the SA REIT sector.
Maintain debt expiry profile in excess of 3 years							Managed cost of debt and liquidity; however, at 2.7 years this is slightly below the target.
Implement currency hedging strategy	N/A	N/A	N/A	N/A	25.0%	19.50%	Currency hedging policy was fully implemented during the period to hedge any volatility in translation of UK distributions.  Continued to reduce cross-currency interest rate swap utilisation 25.2% at FY21 and FY22.
Maintain or improve GCR credit rating							GCR rating was improved to AA- (long term) and A+ (short term)

	ANDREA TAVERNA TURISAN		GERHARD RIAAN GOUS		LAILA RAZACK		COMMENT
	MAX %	RESULT	MAX %	RESULT	MAX %	RESULT	
<b>STAKEHOLDER MANAGEMENT</b>							
Effective and efficient functioning of the Board							A detailed Board and committee survey was undertaken by PwC and indicated that we have a well-functioning Board.
Managing major shareholder interactions	30.0%	24.89	10.0%	8.89%	10.0%	8.89%	Appointed three new non-executive directors to improve the diversity of skill and experience on the Board. High level of engagement with shareholders throughout the year. Successfully raised R2.7 billion in capital markets between accelerated book builds and DRIPs. Financial results and major transactions enjoyed positive media coverage
Media engagement							Equites has been mentioned on numerous occasions in positive media articles on various platforms over the last 12 months.
<b>ENGAGEMENT WITH DEBT HOLDERS</b>							
Ongoing negotiations with third party lenders to allow sustained access to debt capital and to preserve low funding margins							Forged successful banking relationships with all major banks and with many fixed income investors.
Diversify sources of funding and minimising funding costs	N/A	N/A	N/A	N/A	20.0%	16.0%	28 sources of debt funding between SA and the UK. (Bilateral and DMTN) Sector leading price on listed debt for the debt auction in 2021.
<b>IMPLEMENTATION OF ACQUISITIONS</b>							
Leading due diligence on all material transactions	N/A	N/A	30.0%	24%	N/A	N/A	Conducted extensive due diligences on all major transactions. Implemented the DSV due diligence; the largest single-asset acquisition in Equites' history.
Overseeing and implementing all acquisitions seamlessly							Concluded successful implementation of large acquisitions in SA and the UK.

## REMUNERATION REPORT CONTINUED

	ANDREA TAVERNA TURISAN		GERHARD RIAAAN GOUS		LAILA RAZACK		COMMENT
	MAX %	RESULT	MAX %	RESULT	MAX %	RESULT	
<b>INNOVATION</b>							
Cementing Equites position of excellence in logistics market	25.0%	20.0%	N/A	N/A	N/A	N/A	<p>Equites has established itself as a market leader in logistics development in SA; examples of innovation in the development of new buildings:</p> <ul style="list-style-type: none"> <li>■ implemented new floor specifications to greatly reduce maintenance and improve long-term durability while preventing the risk of curling over time;</li> <li>■ Implemented the new ACO-drain on our external hardstands to promote more efficient drainage;</li> <li>■ Improved design on the dock face allowing for trucks with tail gate fittings to be loaded/offloaded; and</li> <li>■ LED's are now standard throughout all new buildings.</li> <li>■ Developed new sustainability standards for all new buildings – all new buildings will be EDGE certification ready.</li> </ul> <p>Initiated an "Assisted Maintenance" programme to provide tenants with the support necessary to maintain buildings adequately.</p> <p>Introduced Sustainability audits (cost covered by Equites) to understand how we may assist tenants in becoming more focused on sustainability.</p> <p>Initiated the "AmpCore" incubation programme which will enable us to train and provide support to black property service companies.</p>
Involvement with education and brand awareness							<p>Developed new town planning characteristics for new parks to be distinctly Equites branded.</p> <p>Collaboration with UCT and US to develop and improve REIT aspects of property courses.</p> <p>Launched social media campaign to promote brand awareness and become active on platforms which are relevant.</p>
<b>TRANSFORMATION</b>							
Focus on ownership transformation							<p>Several ongoing initiatives to attract additional black owners</p> <p>Structuring a portfolio sale through statement 102 to assist in the development of black property entrepreneurs.</p>
Maintain industry leading BBBEE score	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	<p>Improved rating to Level 3 BBBEE rating and verified black ownership of 66%.</p> <p>Launched "Ampcore" incubator programme for Enterprise Development to grow black property service companies.</p>
<b>Aggregate result</b>	<b>150%</b>	<b>137%</b>	<b>150%</b>	<b>140%</b>	<b>150%</b>	<b>136%</b>	



The resultant short-term incentives relating to the 2022 financial year, are as follows:

NAME	ON-TARGET INCENTIVE %	FINANCIAL MODIFIER	PERSONAL MODIFIER*	RESULTING AWARD LEVEL AS % OF TGP	TOTAL STI AS PER SINGLE FIGURE TABLE (R'000)
Andrea Taverna-Turisan	60%	200%	100%	120%	5 851
Gerhard Riaan Gous	50%	200%	100%	100%	3 728
Laila Razack	50%	200%	100%	100%	3 029

\* In line with our policy, the personal modifier is capped at 100% as a stretch financial modifier of 200% was achieved.

### LONG TERM INCENTIVE

As noted in the background statement, after careful deliberation and consultation with our shareholders, the Committee approved the introduction of new LTI measures for all LTI awards from 2021 onwards as well as the amendment of the 2019 and 2020 LTI awards to replace the previous performance conditions with the newly-approved measures.

The original performance conditions imposed on the 2019 and 2020 awards were weighted equally between the growth in DPS for each of the 3 financial years and net asset value per share growth over the three-year performance period. The growth in DPS was measured against a peer Group benchmark.

### NEW MEASURES

The new performance conditions attached to the 2019 award are set out in the table below. The performance conditions were weighted equally between:

- Total shareholder return exceeding WACC for the 3 year period
- Total shareholder return exceeding a predetermined threshold for the 3 year period
- Portfolio growth exceeding a predetermined threshold for the 3 year period
- ESG metrics improving by a predetermined threshold over the 3 year period

### RATIONALE FOR CHANGE

The change in performance conditions reflect the feedback from shareholder engagements which highlighted the importance for total return metrics as opposed to metrics only focused on DPS. The rationale for this change is highlighted below:

1. Several investors noted that DPS was a short-term metric which placed undue prominence on transient gains at the cost of long-term value creation;
2. Investors called for performance metrics related to total return as an improved measurement of the company's value creation;
3. Investors noted that several SA REIT peers had amended their distribution policy and/or reduced their payout ratio, this resulted in the comparison to sector peers not always being an accurate reflection of performance – the change in the metrics further serves to mitigate against unforeseen windfall gains
4. The historic performance metrics made no reference sustainability metrics which investors highlighted as an improvement point.

### LTI OUTCOME

In light hereof, performance during the period against the new measures resulted in the LTI vesting of 175.7%, indicating that Equites performed between target and stretch levels (whereas, if the original DPS performance conditions were retained, the 2019 LTI award would have vested at an outcome level of 191.2%). The Committee is satisfied that these new metrics are fairer and more responsible measures of Equites' overall business performance in the current environment and better aligned to Equites' strategic vision of becoming a globally relevant REIT with a focus on creating long-term shareholder value.

The detail included below reflect the LTI outcomes in respect of the 2019 award against both the original DPS measure, as well as the new performance measures, in order to provide our shareholders with additional insights:

### OUTCOME AGAINST PREVIOUS DPS MEASURE (FOR ILLUSTRATIVE PURPOSES)

Based on the prior metrics referencing DPS and NAV growth, the performance factor would have amounted to 191.2% compared to the 175.7% under the new performance measures.

## REMUNERATION REPORT CONTINUED

### OUTCOME AGAINST NEW MEASURES:

The performance period for the 2019 awards ended on 28 February 2022 and the outcomes are as follows:

PERFORMANCE CONDITION	WEIGHTING	THRESHOLD (30% VESTING)	TARGET (100% VESTING)	STRETCH (200% VESTING)	ACTUAL PERFORMANCE	ACTUAL VESTING (% OF PERFORMANCE SHARES)
Total return to exceed WACC	25%	Total return to be equal to WACC over three year period	Total return to exceed WACC by 10% over three year period	Total return to exceed WACC by 15% over three year period	10.96%	36.5%
Total return to exceed benchmark	25%	Total return to be equal to, or exceed 10% over a three year period	Total return to be equal to, or exceed 12% over a three year period	Total return to be equal to, or exceed 14% over a three year period	10.96%	39.2%
Portfolio growth and LTV	25%	Portfolio growth of 5% whilst maintaining target LTV over a three-year period	Portfolio growth of 10% whilst maintaining target LTV over a three-year period	Portfolio growth of 15% whilst maintaining target LTV over a three-year period	73.41%	50.0%
ESG metrics to improve	25%	Maintain ESG score as measured by Sustainalytics over three year period	Improve ESG score as measured by Sustainalytics by 7.5% over three year period	Improve ESG score as measured by Sustainalytics by 10% over three year period	34.00%	50.0%
<b>TOTAL LTI VESTING</b>						<b>175.7%</b>

All shares applicable to the 2019 award together with the matching shares will be issued in June 2022. These remain restricted and subject to a further service condition until 31 May 2024.

The amount included in the single figure remuneration table above is set out below:

DIRECTOR	AWARD	NUMBER OF SHARES UNDER AWARD	PERFORMANCE FACTOR	PERFORMANCE ADJUSTED NUMBER OF SHARES	SHARE PRICE	VALUE OF SHARES INCLUDED IN SINGLE FIGURE TABLE
<b>ANDREA TAVERNA-TURISAN</b>	2019 award	144 187		288 373	21.36	
	2019 award – matching share			96 124	21.36	
	2019 – lapsed		175.7%	46 733	21.36	
	<b>TOTAL</b>			<b>337 764</b>		<b>7 214 646</b>
<b>GERHARD RIAAN GOUS</b>	2019 award	100 684		201 369	21.36	
	2019 award – matching share			67 123	21.36	
	2019 – lapsed		175.7%	32 633	21.36	
	<b>TOTAL</b>			<b>235 859</b>		<b>5 037 950</b>
<b>LAILA RAZACK</b>	2019 award	9 515		19 030	21.36	
	2019 award – matching share			6 343	21.36	
	2019 – lapsed		175.7%	3 084	21.36	
	<b>TOTAL</b>			<b>22 289</b>		<b>476 091</b>

The table below summarises the unvested shares awarded to directors:

		ON TARGET GRANT	MAXIMUM ADDITIONAL PERFORMANCE	MAXIMUM MATCHING SHARE	TOTAL MAXIMUM SHARES		LAPSED	ACTUAL AWARD	INDICATIVE VALUE
<b>ANDREA TAVERNA-TURISAN</b>									
2017/02/20	2022/05/31	164 997	164 997	109 998	439 992	15.97	49 993	389 999	8 209 479
2018/02/19	2023/05/31	137 253	137 253	91 502	366 008	20.35	46 492	319 516	6 725 812
2019/02/20	2024/05/31	144 187	144 187	96 124	384 498	20.34	46 733	337 765	7 109 947
2020/02/20	2025/05/31	161 753	161 753	107 835	431 341	19.04	—	431 341	9 079 730
2021/02/20	2026/05/31	235 892	235 892	157 262	629 046	18.31	—	629 046	13 241 422
2022/02/20	2025/05/31	205 694	205 694	137 129	548 516	21.05	—	548 516	11 546 265
					<b>2 799 401</b>				
<b>RIAAAN GOUS</b>									
2017/02/20	2022/05/31	115 216	115 216	76 811	307 243	15.97	34 910	272 333	5 732 605
2018/02/19	2023/05/31	95 843	95 843	63 895	255 581	20.35	32 465	223 116	4 696 591
2019/02/20	2024/05/31	100 684	100 684	67 123	268 492	20.34	32 633	235 859	4 964 832
2020/02/20	2025/05/31	112 956	112 956	75 304	301 215	19.04	—	301 215	6 340 578
2021/02/20	2026/05/31	169 743	169 743	113 162	452 649	18.31	—	452 649	9 528 264
2022/02/20	2025/05/31	148 013	148 013	98 675	394 701	21.05	—	394 701	8 308 463
					<b>1 979 881</b>				
<b>LAILA RAZACK</b>									
2017/02/20	2022/05/31	10 520	10 520	7 013	28 053	15.97	3 188	24 865	523 406
2018/02/19	2023/05/31	8 881	8 881	5 920	23 682	20.35	3 008	20 673	435 169
2019/02/20	2024/05/31	9 515	9 515	6 343	25 374	20.34	3 084	22 289	469 191
2020/02/20	2025/05/31	13 550	13 550	9 034	36 134	19.04	—	36 134	760 630
2021/02/20	2026/05/31	137 929	137 929	91 952	367 810	18.31	—	367 810	7 742 398
2022/02/20	2025/05/31	120 271	120 271	80 181	320 723	21.05	—	320 723	6 751 221
					<b>801 775</b>				

In determining an indicative value the company followed the guidance set out in: "A guide to the application of King IV: Governance of remuneration". The following assumptions have been taken into account:

1. The share price at year end was based on a closing price of R21.36
2. Expected volatility has been based on an evaluation of the historical volatility of Equites' share price since listing.
3. The expected forfeiture rate has been based on historical experience.

## REMUNERATION REPORT CONTINUED

### EXECUTIVE OUTPERFORMANCE SCHEME

The EOS was implemented as a cash-settled conditional share plan, whereby the executives were granted notional shares in the company on 31 August 2018. As this scheme aims to reward specific outperformance, they vest on an "all-or-nothing" basis on 31 August 2023 based on achieving the following performance conditions:

STRATEGIC OBJECTIVE	MEASURE	TARGET
<b>GROWTH IN MARKET CAPITALISATION TO ACHIEVE SCALE</b>	Equites market capitalisation measured using a 30-day VWAP up to and including 31 August 2023	Market capitalisation of R14 billion (represents a 54% growth on the market capitalisation at grant of R9 081 million)
<b>SUSTAINABLE ABOVE MARKET GROWTH IN DISTRIBUTABLE EARNINGS</b>	Distribution per share growth over the 5-year vesting period as measured on a CAGR basis	DPS growth exceeds the SAPY benchmark* by 10% on a CAGR basis over the 5-year vesting period

\* The SAPY benchmark was set as all South African REITs that are constituents of the SAPY index on the JSE.

The settlement of the awards is also subject to the company meeting the solvency and liquidity test as set out in section 4 of the Companies Act immediately prior to settling the awards.

Participants are entitled to dividend equivalents as cash amounts, equal in value to the dividends that they would have earned if they were a shareholder holding shares equal in number to the number of notional shares comprising the award from the award date to the vesting date, and payable as and when dividends are declared to shareholders.

The notional shares awarded were determined with reference to 5 times the executive's TGP at the award date. The Committee determined the award level by considering the performance period of 5 years and the high hurdle of achieving both the performance conditions.

Details of awards made under the EOS on 31 August 2018, along with the dividend paid during FY22 are set out below. During FY22, dividends of R2.7 million were paid in respect of the EOS as it relates to executive directors:

NAME	ALLOCATION		30-DAY VWAP	NOTIONAL NUMBER OF SHARES	DIVIDEND EQUIVALENT PAID IN CURRENT YEAR R'000
	TGP R'000	(5X) R'000			
Andrea Taverna-Turisan	3 286	16 430	R19.34	849 612	1 350
Gerhard Riaan Gous	2 438	12 190	R19.34	630 357	1 016
Laila Razack	828	4 140	R19.34	214 084	345

The dividend equivalent paid during the year under review is included in the single-figure remuneration table above.

### SHARE USAGE LIMIT

The current share usage level is set out below.

	NUMBER OF SHARES AVAILABLE	PERCENTAGE OF SHARES AVAILABLE AS PERCENTAGE OF CURRENT SHARES IN ISSUE	NUMBER OF SHARES UTILISED AS AT YEAR END	PERCENTAGE OF SHARES UTILISED AS PERCENTAGE OF CURRENT SHARES IN ISSUE
		2%		0.62%
Aggregate limit	10 000 000	2%	4 839 018	0.62%

### NON-EXECUTIVE FEES

The actual fees paid to non-executive directors during the current financial year are set out below:

NON-EXECUTIVE DIRECTOR	2022 R'000	2021 R'000
Leon Campher	907	573
Ruth Benjamin-Swales	580	339
Mustaq Brey	573	362
Eunice Cross	477	283
Kevin Dreyer*	114	212
Andre Gouws	390	212
Cindy Hess Robertson**	175	—
Giancarlo Lanfranchi*	143	270
Nazeem Khan	584	383
Ndabezinhle Mkhize**	162	—
Doug Murray***	303	—
Keabetswe Ntuli	340	207
	<b>4 748</b>	<b>2 841</b>

\* Retired by rotation on 27 July 2021

\*\* Appointed 1 October 2021

\*\*\* Appointed 27 July 2021

### OUTLOOK

The Committee will continue to focus on achieving fair and responsible remuneration in the context of the operating business, while keeping executives and management incentivised. This journey is by no means an overnight endeavour and will remain a priority focus of the Committee, considering the interests of all stakeholders involved.

# SOCIAL, ETHICS AND TRANSFORMATION REPORT

## RESPONSIBILITIES OF THE SOCIAL, ETHICS AND TRANSFORMATION (SET) COMMITTEE

The Companies Act requires that the Board of directors of all listed companies should have a social and ethics sub-committee. This report is prepared in compliance with the Companies Act.

The Committee operates under strict terms of reference, which are reviewed regularly.

Under these terms of reference, the SET Committee is responsible for:

- Monitoring the ESG activities of the Group, having regard to all relevant legislation, other legal requirements, and prevailing codes of best practice.
- Ensuring good corporate citizenship, including the Group's:
  - Promotion of equality, prevention of unfair discrimination and reduction of corruption;
  - Contribution to development of the communities in which the Group's activities are predominantly conducted, sponsorships and charitable donations;
  - Assess the impact that the Group's activities has or may have on the environment, health and public safety;
  - Monitor consumer relationships, including the Group's advertising and public relations, as well as compliance with consumer protection laws; and
  - Consider labour and employment practices, including monitoring the Group's employment relationships and its contribution towards the educational development of its employees.
- Ensuring the highest ethical standards for the Group, including:
  - Leadership demonstrating support for ethics throughout the Group;
  - Being accountable for compliance with the Sustainability Framework and the objectives set out therein;
  - Monitoring the transformation targets within the Company as well as the B-BBEE levels and making recommendations for improvements; and
  - Performing an advisory function for management regarding ways to improve the effectiveness of management's ESG policies and practices.

- The development and maintenance of a strategy for managing ethics that is informed by the negative and positive risks the Group faces.
- Monitoring the implementation of any new policies to address any sustainability issues identified, applicable to the Group.

## COMPOSITION OF THE SET COMMITTEE

The SET Committee members are all independent non-executive directors. The SET Committee collectively possess a vast amount of knowledge and experience in this area. The SET Committee is chaired by Eunice Cross and also comprises Leon Campher and Ruth Benjamin Swales. In the upcoming year, the Committee will be reconstituted to include additional members.

## FUNCTIONING OF THE COMMITTEE

The SET Committee met three times during the year under review. At each meeting, the Chair of the SET Committee reported on initiatives recently undertaken by the SET Committee, as well as the tools used to monitor and measure the Group's transformation and sustainability policies, activities and processes.

During the year under review, sustainability, ESG and transformation have been the key areas of focus for the SET Committee. In this regard, the SET Committee has overseen the successful implementation of the TCFD reporting referred below and the establishment of a dedicated ESG function within the Group. Moreover, the continued prioritizing of transformation has meant that Equites has, from the previous reporting period, improved its B-BBEE score to level 3 from level 4 and its verified black ownership to 66.1% from 51%. The initiatives undertaken for the year are explained in detail in the section below.

## CODES AND STANDARDS APPLICABLE TO THE GROUP WHICH DIRECT THE SET COMMITTEE'S ACTIVITIES

### THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

The Group has identified transformation as a critical success factor in the landscape in which it currently operates. Equites has achieved a level 3 B-BBEE score for 2021 and has a largely transformed its share register with a verified black

ownership of 66%. This is an improvement from the prior year where Equites achieved a level 4 B-BBEE score with a verified black ownership of 51%. The initiatives undertaken in this respect are discussed in further detail in the Social section of this report.

## EMPLOYMENT EQUITY ACT

The Group has a carefully drafted a recruitment policy which focuses on promoting employment equity. The Group considers its workforce, which consists of a total of 40 employees as at 28 February 2022, to be its most important asset. A diverse workforce remains a key element of the Group to fulfil its strategic goals in a holistic and collaborative manner which is informed by the different approaches that can be drawn from the diverse employee backgrounds.

## UN GLOBAL COMPACT PRINCIPLES AND THE OECD RECOMMENDATIONS REGARDING CORRUPTION

The Group supports and respects the principles as set out in the UN Global Compact Code, OECD's recommendation on the prevention of corruption and the International Labour Organisation's directive on decent work and working conditions. The Group is in the process of becoming a signatory to the UN global compact which will further cement its support of these principles.

## TCFD

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures ("TCFD") to improve and increase reporting of climate-related financial information. Equites has adopted the framework and policy of the TCFD, which involves Equites aligning its ESG disclosures with the TCFD standard. This framework has been adopted by the United Kingdom's Financial Conduct Authority legislating mandatory reporting on climate-related financial disclosures by public companies, large private companies and LLPs from April 2022. The Group in preparation for a wider prescribed adoption by 2025 and in line with global best practice, has initiated the implementation of the TCFD framework in its reporting.

## SOCIAL, ETHICS AND TRANSFORMATION REPORT CONTINUED

### SUSTAINALYTICS

Sustainalytics, a Morningstar company, is a global ESG ratings agency that evaluates ESG risk in an organisation. The score measures exposure to industry-specific material ESG risks and how the entity is managing those risks. Equites underwent its third consecutive Sustainalytics verification and achieved a score of 11, which represents a 35% improvement in its ESG Risk rating compared to the previous financial period where a rating of 16.9 was received. In FY 22, the ESG Risk management rating was 58.2, compared to 35.5 in FY21, reflecting an increase of 64%. Sustainalytics evaluates multiple indicators relating to materiality specific to the industry and has assessed Equites as being "low risk", with a strong management of ESG risk. The Group will continue to be rated by an independent verification agency as this allows us to benchmark the ESG processes and outcomes against global best practice.

### KEY ISSUES CONSIDERED BY THE COMMITTEE FOR THE PERIOD UNDER REVIEW

#### ENVIRONMENTAL

##### TCFD

The SET Committee considered adoption of the TCFD framework and recommended this to the Board for approval. This adoption is a step towards standardising Equites' ESG reporting and disclosures to this framework. Equites has commenced with the practical implementation of the TCFD standard and incorporated various aspects of the TCFD into our internal processes and procedures, with the goal of being fully aligned with the TCFD standard by 2022.

#### SUSTAINABILITY AUDITS

The SET Committee oversaw sustainability audits across the existing portfolio. This programme is targeted at assessing energy and water usage as well as the physical building materials that were used to construct buildings in our portfolio. Through this process, The Group is able to better understand the impact of the buildings on the environment as well as the measures which can be taken to improve its carbon footprint. This process is collaborative, with many tenants already prioritising sustainability as a strategic imperative.

### SOCIAL

#### TRANSFORMATION

The SA government has highlighted its commitment to implement B-BBEE to promote greater economic inclusion in the country. Equites aligns all its B-BBEE reporting to the Property Sector Transformation Charter. This year the Group achieved a level 3 rating on the amended Property Sector scorecard, with verified black ownership of 66%.

The SET Committee considers the transformation strategy and monitors the actual results of the annual verification to the strategy. The SET Committee is satisfied that its strategy is being implemented, however, looks forward to further improvement in the upcoming year.

During the year, the Committee considered the impact of a transaction in terms of Statement 102 of the Codes of Good Practice on Broad Based Black Economic Empowerment ("Statement 102") Transaction, approved by the Investment Committee, on the Group's Transformation and B-BBEE goals. The transaction involves utilising vendor financing to facilitate the disposal of six warehouses in the Western Cape to an empowerment partner. Upon completion of the Statement 102 transaction, the Group will provide the empowerment partner with property management, development and financial training and assistance for a period of 24 months. This transaction is to have a positive impact on the Group's B-BBEE ownership score.

#### ENTERPRISE AND SUPPLIER DEVELOPMENT

The Group has noted the positive impact which small businesses have on the SA economy and in an attempt to assist this area of the economy, it launched an incubation programme called "Ampcore" in 2020. The primary objective of this programme is to provide learning and mentorship to small businesses, particularly in the property service sector. Small business have been identified during the year and are participating in the onboarding process. Equites will continue to develop initiatives to promote the development of SMMEs through enterprise and supplier development in property management services with a focus on cleaning, electrical, plumbing and gardening services. The initiative is focused on identifying SMMEs which can provide these services, assisting them with training or development, where necessary, providing

administrative support (including obtaining relevant health and safety documents, registration with professional bodies and accounting and statutory assistance), and finally promoting them to become registered vendors with Equites. The SET Committee will report back on the progress of the Ampcore programme in its next report.

#### OUR PEOPLE

The Group's efforts in delivering on its overall business strategy, together with navigating the challenging business environment in which it operates, places increased attention on its people, policies and initiatives as it is essential to nurture and retain key talent.

Equites' employment policies are consistent with SA labour law, the UN Universal Declaration of Human Rights and the International Labour Organization's core conventions. The Group is fully committed to preventing unfair discrimination through the full, fair and objective application of our disciplinary procedures, ensuring equal treatment of all employees.

The Group's people strategy is focused on ensuring that the Group has created an environment in which staff are involved, engaged and are valued as active contributors of value creation. The Group engages in detailed staff engagement surveys to ascertain whether employees are satisfied with overall working conditions and attempts to resolve any material concerns swiftly and effectively.



## SOCIAL DEVELOPMENT

The Group believes that education is the cornerstone to true transformation and empowerment. Through the MLF which administers the Equites bursary programme, there are currently eight bursary recipients from underrepresented communities and one graduate from the programme as at February 2022. The programme provides generous financial aid, and more importantly, a robust mentoring component throughout the duration of each student's degree, which equips them with the necessary skill sets to prepare them for a career in their chosen field of study. Additionally, the MLF has increased their support to existing initiatives operating within the education sector like learnerships for under privileged students.

## GOVERNANCE

### ETHICS

The reputation of our business and value of the Equites brand is built on the Group's standing commitment to be a responsible, transparent and ethical business, and to maintain the trust of all of our stakeholders. The King IV principles set out the ethical commitments and performance requirements that lay the foundation for a socially responsible and truly profitable business.

The overarching ethical guidelines and policies are embodied in our adopted code of conduct, which applies uniformly to all employees and directors. The Group has a zero-tolerance approach to unethical behaviour and remains

committed to ensuring that the Group and its employees uphold the Group's reputation as a responsible and caring corporate citizen.

All ethical policies and adherence thereto are overseen by the SET Committee, whose main role in this regard is to ensure implementation and compliance with the Group's ethos by remaining true to its values. The SET Committee endeavours to promote a culture of openness and transparency throughout the Group and, as such, employees and other stakeholders are encouraged to report unethical conduct and other transgressions which they may become aware of.

### GROUP-WIDE POLICIES

The Group oversaw the refreshed drafting of the following policies which have been approved and incorporated into the Group-wide ethics policies:

- Employment equity policy;
- Employee handbook;
- Conflicts of interest policy;
- Insider trading policy;
- EthicsDefender policy.

### WHISTLEBLOWING

Through its efforts to promote a culture of openness and transparency throughout the Group, employees and other stakeholders are encouraged to report unethical conduct and other transgressions that they may become aware of to an anonymous, independently monitored whistle-blower hotline hosted by EthicsDefender.

All incidents logged with the hotline are reported directly to the Chairperson of the Board, SET Committee, Audit Committee and Risk and Capital Committee who are responsible for investigating any claims and resolving it swiftly and effectively.

## KEY AREAS FOR FUTURE CONSIDERATION

The key focus areas for FY23 include:

- Fully implement TCFD reporting standard
- Implement the recommendations of the sustainability audits across the Group and certify the buildings to EDGE or BREEAM green building standards
- Continue to enhance the ESG processes to improve the Equites ESG risk profile
- Maintain the level 3 B-BBEE Rating
- Continued focus on diversity in all hiring and procurement practices; and
- Enhance the Groups ethical framework.

Despite the impact of the global pandemic, the Committee is satisfied with the progress made over the period and looks forward to a successful FY22.



# ANNUAL FINANCIAL STATEMENTS

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INTEGRATED REPORT 2022  
**102**  
EQUITES PROPERTY FUND LIMITED







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**THE FOLLOWING INFORMATION ARE NOT PART OF THE ANNUAL FINANCIAL STATEMENTS AND HAVE NOT BEEN AUDITED:**

Appendix 1: Distributable earnings	169
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**THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022 HAVE BEEN AUDITED BY PRICEWATERHOUSECOOPERS INC., IN COMPLIANCE WITH THE APPLICABLE REQUIREMENTS OF THE COMPANIES ACT, 2008. THE CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS WERE PREPARED UNDER THE SUPERVISION OF MS L RAZACK, CA(SA).**

## DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS, CEO AND CFO RESPONSIBILITY STATEMENT AND DECLARATION BY THE COMPANY SECRETARY

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of the consolidated annual financial statements, comprising the statements of financial position at 28 February 2022, and the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and the requirements of the South African Companies Act 71 of 2008.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

The consolidated annual financial statements of Equites Property Fund Limited were approved by the board of directors on 3 May 2022 and are signed on its behalf by:



**LEON CAMPHER**  
CHAIRMAN

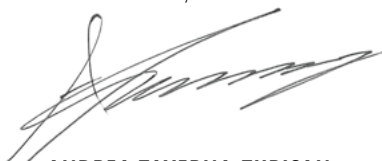


**ANDREA TAVERNA-TURISAN**  
CHIEF EXECUTIVE OFFICER

### CEO AND CFO RESPONSIBILITY STATEMENT

The CEO and CFO hereby confirm that:

- The annual financial statements set out on pages 114 to 168 fairly present in all material respects the financial position, financial performance and cash flows of Equites Property Fund Limited in terms of IFRS;
- No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to Equites Property Fund Limited and its consolidated subsidiaries have been provided to effectively prepare the consolidated annual financial of Equites Property Fund Limited; and
- The internal financial controls are adequate and effective and can be relied upon in compiling the consolidated annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.



**ANDREA TAVERNA-TURISAN**  
CHIEF EXECUTIVE OFFICER



**LAILA RAZACK**  
CHIEF FINANCIAL OFFICER

### DECLARATION BY THE COMPANY SECRETARY

In terms of section 88(2)(e) and in my capacity as company secretary, I hereby confirm, in terms of the Companies Act that, for the year ended 28 February 2022, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



**TODD PETERSEN**  
COMPANY SECRETARY

# AUDIT COMMITTEE REPORT

The Audit Committee ("the committee") takes pleasure in presenting its report for the financial year ended 28 February 2022.

## TERMS OF REFERENCE

The committee acts in accordance with its terms of reference which governs their roles and responsibilities. These terms of reference include the statutory requirements of the Companies Act and the King IV Report on Corporate Governance for South Africa, as well as certain responsibilities delegated by the board.

The committee is mainly responsible for ongoing oversight and review of the following areas:

- Effectiveness of the internal financial controls and compliance with laws and regulations
- Annual financial statements and any other financial information presented to shareholders and ensuring compliance with IFRS
- Integrated reporting and consideration of the factors and risks that could impact on the integrity of the integrated report
- Internal audit function
- Appointment and assessment of the independence of the external auditor and external audit reports
- Non-audit services provided by the external auditors
- Going concern assessment

The committee confirms that it has fulfilled all its statutory obligations, as well as its responsibilities under its terms of reference for the year ended 28 February 2022.

## COMPOSITION

The terms of reference require an annual evaluation of the performance of the committee and its members, as well as confirmation of the members' independence in terms of King IV and the Companies Act.

The committee comprises of the below members:

- Ruth Benjamin-Swales (Chair) CA(SA); Bcom
- Cindy Hess CA(SA); BCom Acc, PGDM
- Doug Murray BA Accountancy & Finance, CA
- Keabetswe Ntuli CA(SA); BAcc (Hons)
- Mustaq Brey CA(SA); BCompt (Hons)

Doug Murray and Cindy Hess were appointed to the committee on 27 July 2021 and 1 October 2021 respectively.

The outcome of the annual evaluation and confirmation of independence, respectively was satisfactory.

## INTERNAL FINANCIAL CONTROLS

The committee continually monitors the efficiency of internal financial controls. The committee is satisfied that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities and that this

addresses all significant risks facing the company. The committee confirms that no material breakdown of internal financial controls was identified during the current financial year.

In accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements, the committee further confirms that the company has established appropriate financial reporting procedures and that those procedures are operating effectively.

## EXTERNAL AUDITORS

The committee assessed the suitability of PricewaterhouseCoopers Inc. ("PwC"), as external auditors, and is satisfied that PwC can conduct their audit functions without any influence from the Group. The committee further noted Paul Liedeman as the designated auditor and confirmed that both he and PwC are accredited with the JSE Limited as required and that following an assessment of the external auditor, their appointment is in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements. The committee approved the auditor's terms, audit plan and proposed fee and assessed the quality of the external audit process for the year ended 28 February 2022.

The committee continuously monitors the extent of non-audit services performed by PwC and adopted a formal framework for the pre-approval of allowable non-audit services above certain pre-determined thresholds.

The committee recommends for approval by the shareholders the reappointment of PwC as external auditor.

## SIGNIFICANT MATTERS

The significant reporting matter the committee considered during the year is the valuation of investment property.

## VALUATION OF INVESTMENT PROPERTY

The major risk relating to investment property is the valuation of the investment property. Valuation of investment property has been highlighted as an area of critical judgements and estimates in note 4 of the consolidated annual financial statements. The Group targets externally valuing each property once each year. Where an external valuation is not obtained, the directors determine the fair value of each property using the discounted cash flow method of valuation. Where the discounted cash flow method is not practical, the income capitalisation method of valuation is used or a combination of these two techniques.

Through discussion with the executive directors, the committee is satisfied with the valuation

methodology and the critical inputs. A number of non-executive board members have extensive experience in the property industry and the board as a whole reviews and approves internal valuations. The committee also monitors differences between internal and independent external valuations and is satisfied overall that the fair value of investment properties is not materially misstated.

All income-producing properties (excluding the cell towers) were externally valued as at 28 February 2022.

## INTERNAL AUDIT

During the year ended 28 February 2022, the Group established an internal audit function and employed an internal auditor. The committee has approved the internal audit charter defining the function, purpose, authority and responsibility. An initial risk based internal audit plan has been approved by the committee. The status and results of the internal audit plan will be communicated and reviewed at each meeting of the committee. The committee will continue to assess the requirements of the internal audit function as it grows and based on the risk profile of the Group.

## PROACTIVE MONITORING

The committee confirms that it has considered the findings contained in the JSE's 2021 Proactive Monitoring report when reviewing the annual financial statements for the year ended 28 February 2022.

## FINANCIAL DIRECTOR

In terms of paragraph 3.84(g)(i) of the JSE Listings Requirements, the committee has considered the expertise and experience of the Chief Financial Officer, Laila Razack, and is satisfied that these are appropriate for her role. The committee is further satisfied regarding the effectiveness of the finance function and composition of the finance team.

## APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The committee confirms that it formally recommended the adoption of the consolidated annual financial statements to the board of directors.



**RUTH BENJAMIN-SWALES**  
CHAIRPERSON OF THE AUDIT COMMITTEE

Cape Town  
3 May 2022

## DIRECTORS' REPORT

For the year ended 28 February 2022

### NATURE OF BUSINESS

Equites is listed on the JSE as a REIT and its main business is the investment in and development of modern logistic facilities. The Company is incorporated and domiciled in South Africa with its registered address being 14th Floor Portside Tower, 4 Bree Street, Cape Town, South Africa, 8001.

The Company carries on its business directly and through a number of subsidiaries. During the current year, the Group made the following changes to its investment property portfolio:

- Acquired one distribution centre through a strategic venture with Eskom Pension and Provident Fund ("EPPF") and half shares in two distribution centres and one development in SA;
- Acquired one land parcel in SA and strategic land in the UK through our strategic venture with Newlands;
- Completed three developments in SA and one in the UK; and
- Commenced four developments in SA.

Income-producing properties are currently situated in Western Cape, Gauteng, KwaZulu-Natal and the UK.

### FINANCIAL RESULTS

The detailed financial results are fully set out in the consolidated annual financial statements.

### BORROWINGS

Equites has unlimited borrowing powers in terms of the Memorandum of Incorporation ("MOI"), but the Group has maintained its debt levels below 60% of its gross asset value due to JSE requirements for REITs. The Group is also subject to certain financial covenants with the strictest being a 50% loan-to-value covenant on its bank borrowings. The Group's overall borrowings were R9 001 million (2021: R6 828 million) at the reporting date as detailed in note 7 to the consolidated annual financial statements.

### STATED CAPITAL

The authorised share capital of the Company remained unchanged at 2 000 000 000 (two billion) ordinary shares of no par value.

The issued share capital at year end is 776 573 375 (2021: 628 715 583) ordinary shares of no par value. 8 016 (2021: 8 016) ordinary shares are held as treasury shares. All movements in issued shares are detailed in note 13 to the consolidated annual financial statements.

### DISTRIBUTION TO SHAREHOLDERS

The total distribution for the year ended 28 February 2022 of 162.99 (2021:155.00) cents per share is 5.2% higher than the comparative period and in line with distribution growth guidance previously provided. This is made up of the interim dividend declared on 30 September 2021 (dividend number 16) of 78.38 cents per share and the final dividend declared on 3 May 2022 (dividend number 17) of 84.61 cents per share.

### DIVIDEND DECLARED

Dividend number 17 for 84.61177 cents per share was declared on 3 May 2022.

Shareholders will be entitled, in respect of all or part of their shareholdings, to elect to reinvest the cash dividend in return for Equites shares (the "dividend reinvestment alternative"). The entitlement for shareholders to receive the dividend reinvestment alternative is subject to the board agreeing on the pricing and terms of the dividend reinvestment alternative. The board in its discretion may withdraw the dividend reinvestment alternative should market conditions warrant such actions and such withdrawal will be communicated to shareholders prior to the finalisation announcement to be published by 11:00 on Tuesday, 17 May 2022.

A circular providing further information in respect of the cash dividend and dividend reinvestment alternative will be posted/electronically delivered to shareholders on Wednesday, 4 May 2022.

### THE FOLLOWING SALIENT DATES APPLY:

2022

Equites results including declaration of a final distribution published on SENS	Wednesday, 4 May
Circular and form of election posted to shareholders	Wednesday, 4 May
Finalisation information including the share ratio and reinvestment price per share published on SENS by 11:00 (SA time)	Tuesday, 17 May
Last day to trade in order to participate in the election to receive shares in terms of the dividend reinvestment alternative or to receive a cash dividend ("LDT")	Tuesday, 24 May
Shares trade ex-dividend	Wednesday, 25 May
Listing of maximum possible number of shares under the dividend reinvestment alternative	Friday, 27 May
Last day to elect to receive shares in terms of the dividend reinvestment alternative or to receive a cash dividend (no late forms of election will be accepted) at 12:00 (SA time)	Friday, 27 May
Record date for the election to receive shares in terms of the dividend reinvestment alternative or to receive a cash dividend ("record date")	Friday, 27 May
Announcement of results of cash dividend and dividend reinvestment alternative released on SENS	Monday, 30 May
Payment of cash dividends to certificated shareholders by electronic funds transfer	Monday, 30 May
Dematerialised shareholders' CSDP or broker accounts credited with the cash dividend payment (if applicable)	Monday, 30 May
Share certificates posted to certificated shareholders on or about	Wednesday, 1 June
Dematerialised shareholders' CSDP or broker accounts credited with the new shares (if applicable)	Wednesday, 1 June
Adjustment to shares listed on or about	Friday, 3 June

### Notes:

1. Shareholders electing the dividend reinvestment alternative are alerted to the fact that the new shares will be listed on LDT + 3 and that these new shares can only be traded on LDT + 3, due to the fact that settlement of the shares will be three days after the record date, which differs from the conventional one day after record date settlement process.
2. Shares may not be dematerialised or rematerialised between Wednesday, 25 May 2022 and Friday, 27 May 2022, both days inclusive.
3. The above dates and times are subject to change. Any changes will be released on SENS.

The board confirms the use of distribution per listed securities as the relevant measure of financial results for the purposes of trading statements.

## SOLVENCY AND LIQUIDITY TEST

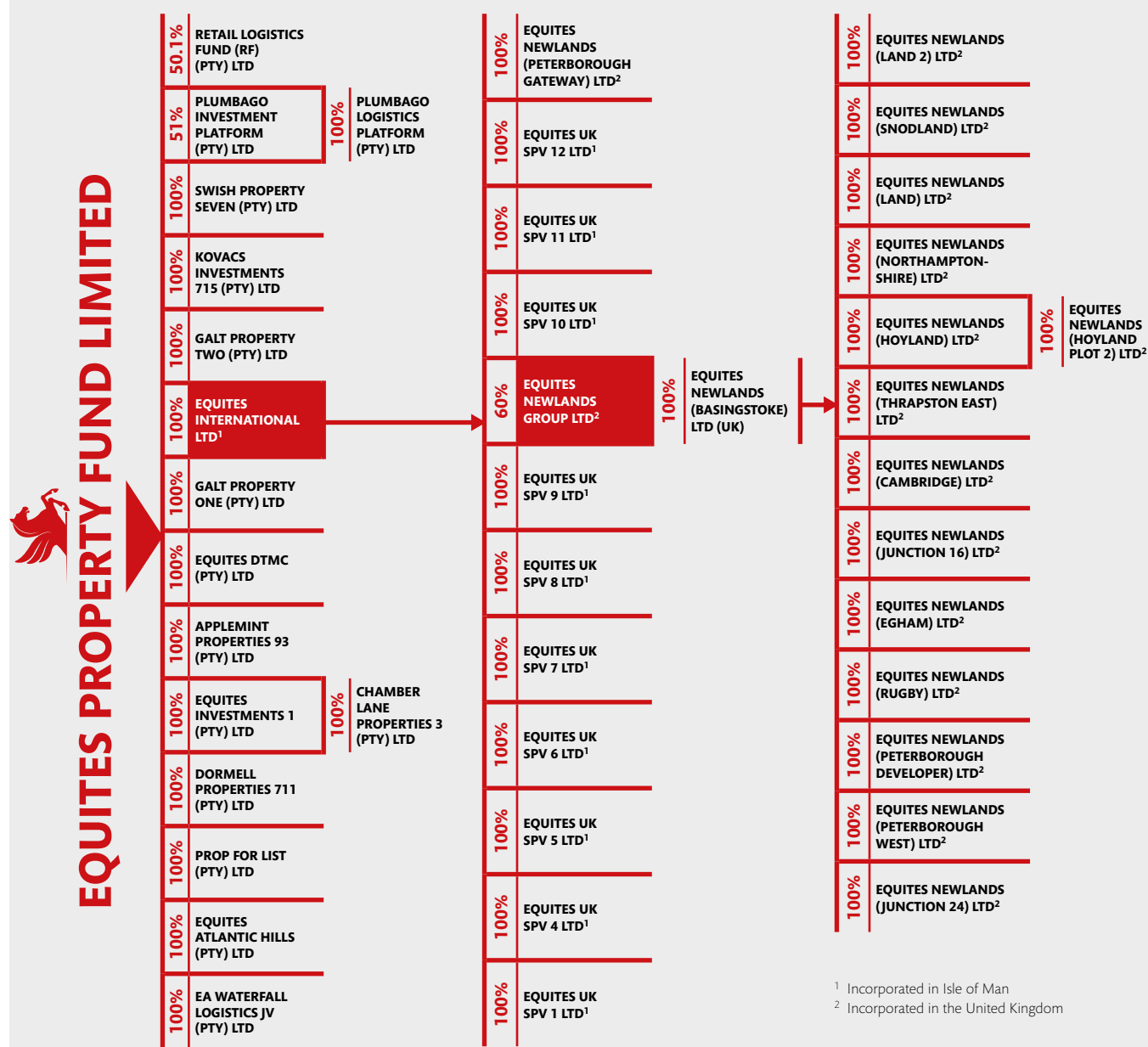
The directors have performed the solvency and liquidity tests required by the Companies Act and have reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the distribution.

## GOING CONCERN

The consolidated annual financial statements of the Group were prepared on a going concern basis. The board is satisfied that the Group has adequate resources to continue trading for the foreseeable future based on a formal review of the results, forecasts and assessing available resources.

## SUBSIDIARIES

The Company has the following wholly-owned subsidiaries, unless otherwise indicated, all of which are property investment companies:



The Group was integral in the formation of The Michel Lanfranchi Foundation NPC which houses all the corporate social responsibility initiatives of the Group. In line with IFRS 10, the following companies are consolidated as structured entities:



## DIRECTORS' REPORT CONTINUED

For the year ended 28 February 2022

### DIRECTORS

The directors of the Company as at the date of this report are:

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

RE Benjamin-Swales	
MA Brey	N Mkhize <sup>2</sup>
PL Campher (Chairman)	AD Murray <sup>1</sup>
E Cross	K Ntuli
C Hess <sup>2</sup>	
N Khan	

<sup>1</sup> Appointed 27 July 2021

<sup>2</sup> Appointed 01 October 2021

#### NON-EXECUTIVE DIRECTORS

AJ Gouws

#### EXECUTIVE DIRECTORS

GR Gous (Chief Operating Officer)  
L Razack (Chief Financial Officer)  
A Taverna-Turisan (Chief Executive Officer)

In terms of the MOI, a third of the non-executive directors will retire at the next annual general meeting and are eligible for re-election.

### DIRECTORS' INTEREST IN ORDINARY SHARES

#### DIRECTORS' INTEREST AS AT

##### BENEFICIALLY HELD

DIRECTORS	DIRECTLY	INDIRECTLY	ASSOCIATES	TOTAL	%	PLEGDED
<b>28 FEBRUARY 2022</b>						
RE Benjamin-Swales	40 978	—	6 826	47 804	0.0%	—
MA Brey	—	112 500	10 000	122 500	0.0%	—
PL Campher	—	—	—	—	—	—
E Cross	—	—	—	—	—	—
GR Gous	1 354 678	2 020 648	300 000	3 675 326	0.5%	2 305 500
AJ Gouws	2 264	7 711 955	—	7 714 219	1.0%	375 000
C Hess	—	—	300 500	300 500	0.0%	—
N Khan	136 605	—	—	136 605	0.0%	—
N Mkhize	—	—	—	—	—	—
AD Murray	—	250 053	—	250 053	0.0%	—
K Ntuli	3 000	—	—	3 000	—	—
L Razack	88 846	—	—	88 846	0.0%	—
A Taverna-Turisan	752 719	11 204 000	—	11 956 719	1.5%	7 000 000
<b>TOTAL</b>	<b>2 379 090</b>	<b>21 299 156</b>	<b>617 326</b>	<b>24 295 572</b>	<b>3.0%</b>	<b>9 680 500</b>
<b>28 FEBRUARY 2021</b>						
RE Benjamin-Swales	37 734	—	6 287	44 021	0.0%	—
MA Brey	—	112 500	10 000	122 500	0.0%	—
PL Campher	—	—	—	—	—	—
E Cross	—	—	—	—	—	—
K Dreyer	—	4 049 858	—	4 049 858	0.6%	3 934 473
GR Gous	969 453	2 020 648	300 000	3 290 101	0.5%	2 305 500
AJ Gouws	2 264	7 711 955	—	7 714 219	1.2%	375 000
N Khan	125 790	—	—	125 790	0.0%	—
G Lanfranchi	—	18 384 481	—	18 384 481	2.9%	10 602 695
K Ntuli	—	—	—	—	—	—
L Razack	38 928	—	—	38 928	0.0%	—
A Taverna-Turisan	818 748	11 204 000	—	12 022 748	1.9%	7 000 000
<b>TOTAL</b>	<b>1 992 917</b>	<b>43 483 442</b>	<b>316 287</b>	<b>45 792 646</b>	<b>7.1%</b>	<b>24 217 668</b>

The conditional shares awarded, but not yet issued, to the executive directors during the year, as set out in note 14 to the consolidated annual financial statements, have not been included in the table above.

There have been no changes to the directors' interest in the Company's shares between the end of the financial year on 28 February 2022 and the approval of the consolidated annual financial statements.

### COMPANY SECRETARY

In line with best governance practices, it is recommended that an executive director does not also serve as the company secretary. For this reason, Riaan Gous resigned and Todd Petersen was appointed as company secretary on 1 October 2021.

### AUDITORS

PwC continued as external auditors in accordance with Section 90 (1) of the Companies Act. A resolution for their reappointment will be proposed at the upcoming annual general meeting.

### LITIGATION

Refer to note 28 for information regarding ongoing litigation. The directors are not aware of any other legal matters that may have a material impact on the results of the Group.

### SUBSEQUENT EVENTS

The directors are not aware of any other events, apart from those disclosed in note 27, which have occurred since the end of the financial year, which have a material impact on the results and disclosures in these consolidated annual financial statements.

### HOLDING COMPANY

Equites has no holding company and the main shareholders are detailed in Appendix 3 to the consolidated annual financial statements.

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Equites Property Fund Limited



## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### OUR OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Equites Property Fund Limited and its subsidiaries (together the Group) as at 28 February 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### WHAT WE HAVE AUDITED

Equites Property Fund Limited's consolidated financial statements set out on pages 114 to 168 comprise:

- the consolidated statement of financial position as at 28 February 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

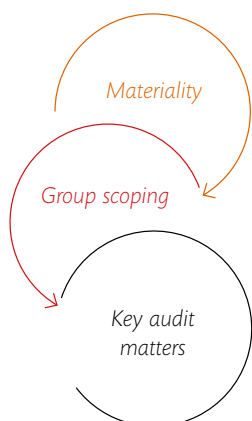
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### INDEPENDENCE

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

### OUR AUDIT APPROACH

#### OVERVIEW



#### OVERALL GROUP MATERIALITY

- Overall group materiality: R175 million, which represents 1% of consolidated net assets.

#### GROUP AUDIT SCOPE

- The Group consists of 46 property-investment companies in both South Africa and the United Kingdom.
- We performed full scope audits at four of the South African companies based on their contribution to consolidated net assets.
- Furthermore, we performed an audit of the investment property related balances and an audit of certain account balances and analytical procedures over the remaining companies.

#### KEY AUDIT MATTER

- Valuation of investment properties.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

#### MATERIALITY

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

#### OVERALL GROUP

<b>MATERIALITY</b>	R175 million
<b>HOW WE DETERMINED IT</b>	1% of consolidated net assets.
<b>RATIONALE FOR THE MATERIALITY BENCHMARK APPLIED</b>	We chose consolidated net assets as the benchmark because, in our view, it is the key benchmark considered by users of the consolidated financial statements. We chose 1% which is consistent with quantitative materiality thresholds used for entities in this sector.

## INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Equites Property Fund Limited



### HOW WE TAILORED OUR GROUP AUDIT SCOPE

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of 46 property-investment companies, which includes industrial properties and a commercial property in South Africa and the United Kingdom. The majority of the property portfolio consists of single tenant industrial or

logistical properties. The consolidated financial statements are a consolidation of all the companies in the Group.

Based on the financial significance and audit risk, we performed full scope audits at four of the South African companies, namely Equites Property Fund Ltd, Chamber Lane Properties 3 (Pty) Ltd, Retail Logistics Fund (RF) (Pty) Ltd and Plumbago Logistics Platform (Pty) Ltd.

Furthermore, we performed an audit of the investment property related balances and an audit of certain account balances and analytical procedures over the remaining companies.

This, together with additional procedures performed at the group level, including testing of consolidation journals and intercompany eliminations, gave us sufficient appropriate audit evidence regarding the financial information of the Group. All of the work was performed by the group audit team.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### KEY AUDIT MATTER

#### VALUATION OF INVESTMENT PROPERTIES

The Group's investment property portfolio is split between South Africa and the United Kingdom, with a total valuation, including the straight-lining lease adjustment, in the consolidated statement of financial position of R25.5 billion. The fair value gain recognised for the year amounts to R1.2 billion. Refer to note 4 to the consolidated financial statements for details on the valuation of investment properties and note 32.1 for the property analysis schedule.

We considered the valuation of investment properties to be a matter of most significance to the current year audit due to the following:

- The significance of the estimates and judgements involved in its determination; and
- The magnitude of the balance of the investment properties recorded in the consolidated statement of financial position, as well as the changes in fair value relating to the property portfolio recorded in the consolidated statement of comprehensive income

#### HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We obtained an understanding of the approach followed by management for the valuation of the Group's investment property portfolio through discussions with management. We inspected a sample of valuation reports for the properties valued externally in the current year and assessed whether the valuation approach followed for each property and the approach followed by management were in accordance with IFRS and suitable for use in determining the fair value for the purpose of the consolidated financial statements.

Our work, as detailed in the procedures below, focused on the largest properties in the portfolio, as well as those properties where the assumptions used and/or year-on-year capital value movement suggested a possible outlier versus market data for the relevant sector.

We evaluated the external valuers' qualifications and expertise and evaluated whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work through direct communication with the valuer, and inspection of their credentials. We did not note any aspects in this regard requiring further consideration.



## KEY AUDIT MATTER

### VALUATION OF INVESTMENT PROPERTIES CONTINUED

The investment properties are stated at their fair values based on directors' valuations and external valuations as deemed appropriate. The fair values of investment properties at year end were determined using the discounted cash flow and income capitalisation methods of valuation.

The valuation of the Group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the forecasted future net cash flows and residual value for that particular property.

In determining a property's valuation, the directors and the valuers take into account property-specific information such as expected market rental growth, discount rate, exit capitalisation rate, capitalisation rate, vacancy rate and vacancy periods.

The directors and valuers apply yields, discount rates, market rentals and exit capitalisation rates which are influenced by prevailing market yields and comparable market transactions for properties with similar characteristics, to arrive at the final valuation.

Investment property under development and vacant land are subsequently measured at fair value at each reporting period.

The Group capitalises borrowing costs on new developments and major refurbishments that are deemed to be qualifying assets based on management's judgement in line with IFRS requirements as reflected in note 4 to the consolidated financial statements.

## HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We made use of our internal valuation expertise in our assessment of the reasonableness of the valuation methodologies and assumptions applied based on their knowledge of the industry and the markets in which the group operates. We evaluated comparable market evidence in assessing the fair value of the properties. No material differences were noted.

We tested the accuracy, reliability and completeness of data inputs into the directors' valuations, as well as in the valuations prepared by the external valuers. We focused on the following data inputs: rental income, tenancy schedules, expenditure details and square metre details which underpin the investment property valuations for the selected investment properties. We found no material deviations.

We evaluated the forecasted future net cash flows by comparing them to lease agreements and noted no material deviations.

We evaluated the significant assumptions, including discount rates, capitalisation rates, exit capitalisation rates, vacancy rates, vacancy periods, market rental growth rates and any adjustment factors by comparing it to historic and market benchmarks in order to assess whether they were in a reasonable range for the respective market, sector and asset. Our audit procedures on the above indicated that the assumptions fell within an acceptable range.

For investment properties under development, we agreed the development costs incurred to relevant underlying documentation and assessed the eligibility of capitalising these costs against the criteria set out in IAS 40: Investment Property. On a sample basis, we recalculated and assessed the appropriateness of the borrowing costs capitalised and also assessed management's judgement in assessing when an asset becomes a qualifying asset in accordance with IAS 23: Borrowing Costs. No material exceptions were noted.

In respect of vacant land, we recalculated, on a sample basis, the value of the land based on comparable market data and comparable listed sales prices. Our audit procedures on the above did not identify any material differences.

For a representative sample of the straight-lining lease income accrual we agreed the inputs in the calculation to the underlying lease agreements and tested the accuracy of the calculation through reperformance. We did not identify any material differences.

We further evaluated the appropriateness of the disclosures in the consolidated financial statements concerning the key assumptions to which the valuations are most sensitive, and the inter-relationship between the assumptions and the valuation amounts.

## INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Equites Property Fund Limited



### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Equites Property Fund Consolidated annual financial statements for the year ended 28 February 2022" and the document titled "Equites Property Fund Annual financial statements for the year ended 28 February 2022", which includes the Declaration by the company secretary, Audit committee report and Directors' report as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Equites Property Fund Integrated Report 2022", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Equites Property Fund Limited for 6 years.

*PricewaterhouseCoopers Inc.*

**PRICEWATERHOUSECOOPERS INC.**  
**DIRECTOR: P LIEDEMAN**  
**REGISTERED AUDITOR**

Cape Town, South Africa  
3 May 2022

## STATEMENT OF FINANCIAL POSITION

Equites Property Fund Limited and its subsidiaries at 28 February 2022

R'000	NOTES	GROUP	
		28 FEBRUARY 2022	28 FEBRUARY 2021
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investment property (excluding straight-lining)	4.1	24 970 607	18 878 285
Straight-lining lease income accrual	4.3	547 000	364 746
Deferred tax asset	15	162 765	120 031
Non-current financial assets	8.2	60 637	9 244
Property, plant and equipment	17	16 086	17 919
		<b>25 757 095</b>	<b>19 390 225</b>
<b>CURRENT ASSETS</b>			
Trading properties	5	878 927	464 670
Trade and other receivables	12	223 196	285 700
Other current financial assets	8	104 645	18 176
Cash and cash equivalents	10	570 143	612 316
		<b>1 776 911</b>	<b>1 380 862</b>
Investment property held-for-sale	4.2	206 124	86 112
<b>TOTAL ASSETS</b>		<b>27 740 130</b>	<b>20 857 199</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY AND RESERVES</b>			
Stated capital	13	12 170 853	9 337 288
Accumulated profit		1 880 847	918 422
Foreign currency translation reserve		370 624	391 520
Share-based payment reserve	14	29 390	195 953
<b>TOTAL ATTRIBUTABLE TO OWNERS</b>		<b>14 451 714</b>	<b>10 843 183</b>
Non-controlling interest	11	3 059 872	2 166 757
<b>TOTAL EQUITY AND RESERVES</b>		<b>17 511 586</b>	<b>13 009 940</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	7	7 974 268	5 843 785
Other non-current financial liabilities	8 & 16	117 200	147 501
Deferred tax liability	15	441 194	59 388
Other liabilities	16	8 334	6 473
		<b>8 540 996</b>	<b>6 057 147</b>
<b>CURRENT LIABILITIES</b>			
Loans and borrowings	7	1 026 304	984 558
Trade and other payables	16	572 364	629 404
Other current financial liabilities	8	88 880	176 150
		<b>1 687 548</b>	<b>1 790 112</b>
<b>TOTAL LIABILITIES</b>		<b>10 228 544</b>	<b>7 847 259</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>27 740 130</b>	<b>20 857 199</b>

# STATEMENT OF COMPREHENSIVE INCOME

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

R'000	NOTES	GROUP	
		28 FEBRUARY 2022	28 FEBRUARY 2021
Property revenue and tenant recoveries	18	1 505 103	1 137 336
Straight-lining of leases adjustment		182 468	48 044
<b>GROSS PROPERTY REVENUE</b>		<b>1 687 571</b>	<b>1 185 380</b>
Net development income		576	–
Property operating and management expenses	20	(240 418)	(163 098)
Other net gains and (losses)	19	155 207	127 341
Administrative expenses	20	(78 039)	(56 897)
Fair value adjustments – investment property	4	1 168 317	(224 874)
<b>OPERATING PROFIT BEFORE FINANCING ACTIVITIES</b>		<b>2 693 214</b>	<b>867 852</b>
Finance costs	21	31 994	(287 008)
Finance income	22	14 021	17 367
<b>NET PROFIT BEFORE TAX</b>		<b>2 739 229</b>	<b>598 211</b>
Tax expense	23	(382 809)	(108 160)
<b>PROFIT FOR THE YEAR</b>		<b>2 356 420</b>	<b>490 051</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may subsequently be reclassified to profit or loss:			
Translation of foreign operations		(19 147)	208 507
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2 337 273</b>	<b>698 558</b>
<b>PROFIT ATTRIBUTABLE TO:</b>			
Owners of the parent		2 032 661	407 499
Non-controlling interest	11	323 759	82 552
		<b>2 356 420</b>	<b>490 051</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the parent		2 011 765	615 996
Non-controlling interest	11	325 508	82 562
		<b>2 337 273</b>	<b>698 558</b>
Basic earnings per share (cents)	2	295.3	66.4
Diluted earnings per share (cents)	2	293.1	65.4

## STATEMENT OF CASH FLOWS

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

R'000	NOTES	GROUP	
		28 FEBRUARY 2022	RESTATED <sup>1</sup> 28 FEBRUARY 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	24.1	944 849	939 460
Finance costs paid	21	(99 807)	(110 461)
Finance income received		4 908	17 086
Tax paid		(50 032)	(5 286)
Dividends paid	24.5	(1 228 043)	(919 690)
<b>NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES</b>		<b>(428 125)</b>	<b>(78 891)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of investment properties	24.2	(2 209 150)	(1 934 463)
Development of investment properties <sup>1</sup>	4.1	(2 184 606)	(1 233 545)
Finance costs paid capitalised to investment properties <sup>1</sup>	21	(260 259)	(223 128)
Proceeds from government grants		61 726	–
Proceeds from disposal of investment property and subsidiaries (net of disposal costs)	24.3	104 663	526 071
Purchases of current financial assets <sup>2</sup>	24.4	(1 823 000)	(1 614 000)
Proceeds on divestment of current financial assets <sup>2</sup>	24.4	1 823 000	1 629 992
Proceeds from disposal of property, plant and equipment		4	–
Purchase and development of property, plant and equipment		(1 555)	(2 412)
<b>NET CASH FLOWS UTILISED BY INVESTING ACTIVITIES</b>		<b>(4 489 177)</b>	<b>(2 851 485)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issue (net of costs)	13.3	1 987 559	794 124
Proceeds from share issue relating to dividend reinvestment programme	13.3	653 736	427 414
Repayment of lease liability		(7 816)	(4 225)
Proceeds from borrowings	7.7	4 782 461	4 446 720
Repayment of borrowings	7.7	(2 563 648)	(2 133 893)
<b>NET CASH FLOWS RAISED FROM FINANCING ACTIVITIES</b>		<b>4 852 292</b>	<b>3 530 140</b>
Net (decrease)/increase in cash and cash equivalents		(65 010)	599 764
Effect of exchange rate movements on cash and cash equivalents		22 837	(41 172)
Cash and cash equivalents at the beginning of the year		612 316	53 724
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>570 143</b>	<b>612 316</b>

<sup>1</sup> "Finance costs paid capitalised to investment properties" was previously included in "Development of investment properties".

<sup>2</sup> This primarily consists of investments in and divestments of surplus cash held in money market funds.

## STATEMENT OF CHANGES IN EQUITY

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

<b>GROUP</b>								
R'000	NOTES	STATED CAPITAL	ACCUMULATED PROFIT	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE- BASED PAYMENT RESERVE	TOTAL ATTRIBUTABLE TO PARENT	NON- CONTROLLING INTEREST	TOTAL
Balance at 1 March 2020		8 046 457	1 370 734	242 903	69 496	9 729 590	40 434	9 770 024
Profit for the year		–	407 499	–	–	407 499	82 552	490 051
Other comprehensive income		–	–	208 496	–	208 496	11	208 507
Reclassification of FCTR on disposal of subsidiary companies		–	59 879	(59 879)	–	–	–	–
Acquisition of subsidiary with non-controlling interests	11	–	–	–	–	–	2 043 760	2 043 760
Shares issued for cash	13	800 000	–	–	–	800 000	–	800 000
Share issue in terms of dividend reinvestment programme		427 414	–	–	–	427 414	–	427 414
Shares issued in terms of conditional share plan	14	12 997	–	–	(12 997)	–	–	–
Movements in respect of share-based payment transactions	14	56 296	–	–	123 704	180 000	–	180 000
Equity-settled share-based payment charge	14	–	–	–	15 750	15 750	–	15 750
Dividends distributed to shareholders		–	(919 690)	–	–	(919 690)	–	(919 690)
Share issue costs	13	(5 876)	–	–	–	(5 876)	–	(5 876)
<b>BALANCE AT 28 FEBRUARY 2021</b>		<b>9 337 288</b>	<b>918 422</b>	<b>391 520</b>	<b>195 953</b>	<b>10 843 183</b>	<b>2 166 757</b>	<b>13 009 940</b>
Balance at 1 March 2021		9 337 288	918 422	391 520	195 953	10 843 183	2 166 757	13 009 940
Profit for the year		–	2 032 661	–	–	2 032 661	323 759	2 356 420
Other comprehensive income		–	–	(20 896)	–	(20 896)	1 749	(19 147)
Acquisition of subsidiary with non-controlling interests	11	–	–	–	–	–	703 150	703 150
Transactions with non-controlling interest	11	–	–	–	–	–	22 264	22 264
Shares issued for cash	13	2 000 000	–	–	–	2 000 000	–	2 000 000
Share issue in terms of dividend reinvestment programme	11	653 736	–	–	–	653 736	–	653 736
Shares issued in terms of conditional share plan	14	12 270	–	–	(12 270)	–	–	–
Shares issued in terms of share-based payment transactions	14	180 000	–	–	(180 000)	–	–	–
Equity-settled share-based payment charge	14	–	–	–	25 707	25 707	–	25 707
Dividends distributed to shareholders		–	(1 070 236)	–	–	(1 070 236)	(157 807)	(1 228 043)
Share issue costs	13	(12 441)	–	–	–	(12 441)	–	(12 441)
<b>BALANCE AT 28 FEBRUARY 2022</b>		<b>12 170 853</b>	<b>1 880 847</b>	<b>370 624</b>	<b>29 390</b>	<b>14 451 714</b>	<b>3 059 872</b>	<b>17 511 586</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

## 1 PREPARATION OF FINANCIAL STATEMENTS

The principal accounting policies applied in the preparation of the consolidated financial statements are set out in the notes to the consolidated annual financial statements and are consistent with those applied in the previous year, unless otherwise stated. The consolidated annual financial statements were authorised for issue by the board of directors on 3 May 2022.

### 1.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRS, IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act.

### 1.2 FUNCTIONAL CURRENCY

All items in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated annual financial statements are presented in South African Rand, which is Equites' functional and the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the average exchange rates for the relevant period. These average exchange rates approximate the spot rate at the date of the transaction. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates, are recognised in the statement of comprehensive income.

The results and the financial position of all subsidiaries that have a functional currency that is different from the presentation currency of the Group are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenditure for each statement of comprehensive income presented are translated at the average exchange rates for the period; and
- All resulting translation differences are recognised in other comprehensive income and presented as a separate component of equity in FCTR.

On consolidation, exchange rate differences arising from the translation of the net investment in foreign operations are also taken to the FCTR. The Group's net investment in a foreign operation is equal to the equity investment plus all monetary items that are receivable from or payable to the foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future.

On disposal of a foreign subsidiary, all exchange differences accumulated in equity in respect of that subsidiary attributable to the equity holders of the Group are reclassified to profit or loss. The amount of FCTR reclassified to profit or loss is calculated based on the appreciation or devaluation in the functional currency of the foreign subsidiary disposed against the functional currency of the Group.



### 1.3 CONSOLIDATION

#### SUBSIDIARIES

Subsidiaries are entities (including structured entities) over which the Group has control. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to govern the financial and operating policies thereof. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method is used to account for business combinations. The consideration transferred is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Acquisition-related costs are expensed as incurred. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the consideration transferred is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

For acquisition of subsidiaries not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

#### TREATMENT OF INTRA-GROUP TRANSACTIONS

All intra-group transactions, balances and unrealised gains and losses on transactions between entities of the Group have been eliminated. When necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

### 1.4 STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FOR THE FIRST TIME AT 28 FEBRUARY 2022

The standards, amendments and interpretations effective for the first time in the current financial year have been summarised below. The impact of the adoption of these standards and amendments have been considered and is deemed immaterial

	<b>EFFECTIVE DATE (PERIODS BEGINNING ON OR AFTER)</b>
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	1 January 2021
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	1 June 2020

### 1.5 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE AT 28 FEBRUARY 2022

The table below summarises the standards, amendments and interpretations that have been published, but that are not yet effective in the current financial year and are relevant to the Group. None of these standards, amendments and interpretations are expected to have a material impact on the results of the Group.

	<b>EFFECTIVE DATE (PERIODS BEGINNING ON OR AFTER)</b>
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	1 January 2022
Amendment to IFRS 3, 'Business combinations'	1 January 2022
Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual improvements cycle 2018 – 2020	1 January 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 2 EARNINGS PER SHARE

This note provides the obligatory information in terms of IAS 33 *Earnings per share and SAICA Circular 1/2021* for the Group and should be read in conjunction with Appendix 1, where earnings are reconciled to distributable earnings. Distributable earnings determine the dividend declared to shareholders, which is a meaningful metric for a shareholder in a REIT.

#### ACCOUNTING POLICY

Earnings and headline earnings per share are calculated by dividing the net profit attributable to owners of the parent and headline earnings, respectively, by the weighted average number of ordinary shares in issue during the year.

Diluted earnings and diluted headline earnings per share are determined by adjusting for the impact on earnings and the weighted average number ordinary shares of all known dilutive potential ordinary shares.

Headline earnings per share is calculated in terms of the requirements set out in Circular 1/2021 issued by SAICA.

#### 2.1 BASIC EARNINGS PER SHARE

R'000	NOTES	GROUP	
		28 FEBRUARY 2022	28 FEBRUARY 2021
<b>BASIC EARNINGS</b>			
Earnings (profit attributable to owners of the parent)		2 032 661	407 499
<b>NUMBER OF SHARES</b>			
<b>SHARES IN ISSUE</b>			
Number of shares in issue		776 573 375	628 715 573
Weighted average number of shares in issue		688 221 003	613 629 280
Add: weighted potential dilutive impact of conditional shares		5 376 814	9 803 834
Diluted weighted average number of shares in issues		693 597 817	623 433 114
<b>CENTS</b>			
<b>BASIC EARNINGS PER SHARE</b>			
Basic earnings per share		295.3	66.4
Diluted earnings per share		293.1	65.4

#### 2.2 HEADLINE EARNINGS PER SHARE

R'000			
<b>RECONCILIATION BETWEEN BASIC EARNINGS AND HEADLINE EARNINGS</b>			
Earnings (profit attributable to owners of the parent)		2 032 661	407 499
<i>Adjusted for:</i>			
Fair value adjustments to investment properties		(1 147 365)	225 425
Less: Fair value adjustment to investment properties (NCI)	11.1	8 221	9 553
Fair value adjustment of non-current assets held for sale	4.2	(20 952)	(551)
Loss on sale of non-current assets held for sale	19	237	—
Net loss/(profit) on sale of non-current assets	19	15 706	(31 913)
<b>HEADLINE EARNINGS</b>		<b>888 508</b>	<b>610 013</b>
<b>CENTS</b>			
<b>HEADLINE EARNINGS PER SHARE</b>			
Headline earnings per share		129.1	99.4
Diluted headline earnings per share		128.1	97.8

### 3 SEGMENT INFORMATION

#### ACCOUNTING POLICY

The Group identifies and presents operating segments based on the information that is provided internally to the chief operating decision maker which comprises the executive directors. The CODM allocates resources and assesses the performance of the operating segments of the Group.

The Group has assessed its operations and determines its segments as follows:

**South African Industrial:** this part of the business incorporates all the SA industrial and logistics assets. At year end, this comprised of 56 (2021: 54) completed properties split between prime logistics nodes in Western Cape, Gauteng and KwaZulu-Natal.

**United Kingdom Industrial:** this part of the business incorporates all completed buildings and development sites in the UK. At year end, this comprised of 11 (2021: 10) completed properties.

**UK Developer:** this part of the business relates specifically to the activities within ENGL which pertains to the disposal of land and third-party developments (turn-key developments). These projects are assessed based on different measurement and performance criteria, specifically relating to disposal profits as opposed to long-term property fundamentals. Profits generated from this segment are specifically excluded from distributable income. At year end, this comprised of 1 plot available for disposal and 2 development sites in the UK.

**Other:** all treasury functions, corporate costs and the buildings held for sale, are included in this segment.

Equites generates the majority of revenue from properties in SA, while the remainder of revenue is generated through properties situated in the UK. The geographic analysis of revenue is based on the country where the building is situated, and therefore where the rental income is derived. The SA and UK markets differ in terms of market risk, political risk and the processes for the purchase and letting of assets. For this reason, the CODM analyses the assets in these market separately and allocates resources according to this analysis.

The CODM primarily uses a measure of revenue and operating profit before financing activities to assess the performance of the operating segment. The CODM also receives information regarding revenue and assets on a monthly basis. The operating segment is the same as the reportable segment

Based on the nature of the business and the factors discussed above, the following segments are presented:

- SA industrial assets
- UK industrial assets
- UK developer
- Other

The segment information for the Group for the year ended 28 February 2022 is set out below:

R'000	OPERATING SEGMENTS				TOTAL
	SA INDUSTRIAL	UK INDUSTRIAL	UK DEVELOPER <sup>1</sup>	OTHER	
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Property revenue	1 215 823	263 235	—	26 045	<b>1 505 103</b>
Fair value adjustments – investment property	(356 859)	1 546 128	—	(20 952)	<b>1 168 317</b>
Straight-lining of leases adjustment	169 626	14 220	—	(1 378)	<b>182 468</b>
Operating profit before financing activities	796 817	1 878 841	(2 445)	20 001	<b>2 693 214</b>
Finance income	14 057	41	—	(77)	<b>14 021</b>
Finance costs	72 657	(40 598)	—	(65)	<b>31 994</b>
<b>STATEMENT OF FINANCIAL POSITION</b>					
Investment property (excluding straight-lining)	14 929 254	10 041 353	—	—	<b>24 970 607</b>
Straight-lining lease income accrual	504 528	42 472	—	—	<b>547 000</b>
Investment property held for sale	—	—	—	206 124	<b>206 124</b>
Trading properties	20 754	—	858 173	—	<b>878 927</b>
Loans and borrowings	6 496 875	2 503 697	—	—	<b>9 000 572</b>
Total assets	15 952 283	10 681 885	891 391	214 571	<b>27 740 130</b>
Total liabilities	6 726 324	3 241 662	257 556	3 002	<b>10 228 544</b>

<sup>1</sup> Management evaluates the activities within ENGL pertaining to third-party developments to be a separate segment and the performance of these development activities are assessed separately. The comparative has been amended to reflect this change.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 3 SEGMENT INFORMATION CONTINUED

The segment information for the Group for the year ended 28 February 2021 is set out below:

R'000	OPERATING SEGMENTS				TOTAL
	SA INDUSTRIAL	RESTATED UK INDUSTRIAL	RESTATED UK DEVELOPER <sup>1</sup>	OTHER	
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Property revenue	818 928	303 840	–	14 568	1 137 336
Fair value adjustments – investment property	(430 577)	206 254	–	(551)	(224 874)
Straight-lining of leases adjustment	21 720	27 425	–	(1 101)	48 044
Operating profit before financing activities	326 407	542 038	–	(593)	867 852
Finance income	13 449	3 856	–	62	17 367
Finance costs	(229 582)	(55 848)	–	(1 578)	(287 008)
<b>STATEMENT OF FINANCIAL POSITION</b>					
Investment property (excluding straight-lining)	12 181 056	6 577 069	–	120 160	18 878 285
Straight-lining lease income accrual	336 280	28 466	–	–	364 746
Investment property held for sale	–	–	–	86 112	86 112
Trading properties	–	–	464 670	–	464 670
Loans and borrowings	4 789 748	2 038 595	–	–	6 828 343
Total assets	12 975 694	6 969 988	801 705	109 812	20 857 199
Total liabilities	5 352 208	2 151 360	343 691	–	7 847 259

<sup>1</sup> Management evaluates the activities within ENGL pertaining to third-party developments to be a separate segment and the performance of these development activities are assessed separately. The comparative has been amended to reflect this change.

### GROUP

R'000	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>4 INVESTMENT PROPERTY</b>		
Income-producing investment property (note 4.1)	20 045 118	15 720 743
Investment property under development (note 4.1)	2 681 934	1 119 669
Freehold land available for development (note 4.1)	2 213 175	2 017 056
Right-of-use asset (note 4.1)	30 380	20 817
Investment property (excluding straight-lining)	24 970 607	18 878 285
Investment property held for sale (note 4.2)	206 124	86 112
Straight-lining lease income accrual (note 4.3)	547 000	364 746
<b>FAIR VALUE OF INVESTMENT PROPERTY</b>	<b>25 723 731</b>	<b>19 329 143</b>

#### ACCOUNTING POLICY

##### INVESTMENT PROPERTY

Investment property is made up of the following:

- Properties held for rental income and capital appreciation (not occupied by the Group)
- Properties under development for the purpose of earning rental income and capital appreciation
- Vacant land held for the purpose of developing properties to earn rental income and capital appreciation

Investment property is initially measured at cost, including all related transaction costs. Subsequently, investment property is carried at fair value and all movements in fair value are recognised in profit or loss. The changes in the fair value is excluded from the calculation of distributable earnings.

Each property in the portfolio is valued externally by a registered valuer at each reporting date. This is a change in policy from prior years where properties were externally valued at least once every 18 months. Previously, all externally valued income-producing UK properties were valued using the income capitalisation method, with all internally valued properties valued using the discounted cash-flow technique. In the current year, all income-producing UK properties were valued using the income capitalisation method, with all income-producing SA properties valued using the discounted cash flow ("DCF") technique. Adjustments to the fair value of investment properties are computed net of the impact of accounting for lease income on a straight-line basis over the term of lease.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other costs, including repairs and maintenance, are expensed as incurred.

Lease commission expenditure is capitalised to the cost of the investment property and is amortised over the lease term.

Investment properties are derecognised either when they have been disposed of or where an individual property is permanently destroyed or its value permanently reduced as no future economic benefit is expected from it. A gain or loss arising on disposal of investment property is recognised in profit or loss. The gain or loss is measured as the difference between the proceeds and carrying amount.

Future costs or capital commitments are not included in the fair value of investment property.

#### **INVESTMENT PROPERTY UNDER DEVELOPMENT AND VACANT LAND**

Investment property under development and vacant land are measured at fair value at each reporting period.

Investment property under development and vacant land is transferred to trading properties when there is a change in use which results in the entity concluding that it will recover the future economic benefits from the asset through sale in the short term, as opposed to holding the asset for capital appreciation and/or to generate rental income. This arrangement may arise in the UK where the entity has engaged in significant development activity.

#### **INVESTMENT PROPERTY HELD FOR SALE**

The following conditions must be met for an asset to be classified as held for sale:

- Management is committed to a plan to sell
- The asset is available for immediate sale
- An active programme to locate a buyer is initiated
- The sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions)
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- Actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn

Once all the above conditions have been met, investment property is classified as held for sale. A property can be available for immediate sale even though it still has a tenant occupying it. The lease will then be transferred to the new owners. Sales are initiated either directly with Equites or through a commercial agent.

#### **BORROWING AND OVERHEAD COSTS CAPITALISED**

Borrowing costs comprise interest on borrowings and amortisation of capitalised loan arrangement fees.

Borrowing costs that are directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- **Specific borrowings:** actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment income from surplus funds derived from those borrowings; and
- **General borrowings:** weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset(s).

Borrowing costs capitalised cannot exceed actual borrowing costs incurred.

A qualifying asset is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. An asset that normally takes more than a year to be ready for use will usually be a qualifying asset. Once management chooses the criteria and types of assets, it applies this consistently to those types of asset. The Group classifies the following as qualifying assets:

- Buildings under development;
- Trading property (note 5);
- Buildings under major refurbishment; and
- Land acquired for the purpose of development.

The Group commences the capitalisation of borrowing costs once finance costs are incurred and activities are undertaken that are necessary to prepare the asset for its intended use. This occurs as follows:

- **Properties under development and refurbishments:** once costs have been incurred; and
- **Land:** once land has been acquired and is in the process of being developed, i.e. when town planning, zoning, earthworks, etc commences with a view to utilising this in development.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 4 INVESTMENT PROPERTY CONTINUED

#### ACCOUNTING POLICY CONTINUED

##### BORROWING AND OVERHEAD COSTS CAPITALISED CONTINUED

The Group ceases capitalising borrowing costs on each qualifying asset on the date on which practical completion is issued. On this date, substantially all the activities necessary to prepare the qualifying asset for its intended use are considered to be complete.

##### LEASES

The Group is a party to leasehold land in respect of properties located in Waterfall, Gauteng and Epping, Western Cape.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured at the initial amount of the lease liability adjusted for any lease payments made in advance, plus any initial direct costs incurred less any lease incentives received. A right-of-use asset in relation to leased land is recognised as Investment Property.

There is a remeasurement when there is a change in the future lease cash flows arising from a change in the Group's assessment of whether it will exercise an extension or termination option or where variable payments become fixed. Where the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the underlying right-of-use asset.

##### GOVERNMENT GRANTS

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Government grants are recognised using the capital approach and will be recognised against the cost of the asset.

Once all conditions are met and government has agreed to provide assistance, a receivable is recognised as part of Trade and Other Receivables until the funds have been received.

### CRITICAL ESTIMATES AND JUDGEMENTS - VALUATION OF INVESTMENT PROPERTY

The board of directors has used the best available evidence to determine the fair value of investment properties. This includes current market prices for properties with similar characteristics, leases and cash flow projections. As available information is not directly comparable, the amounts are determined within a reasonable range of fair value.

The sensitivity analysis in note 9 provides more detailed information on the changes in inputs on the valuation of investment property.

#### MEASUREMENT OF FAIR VALUES

##### VALUATION TECHNIQUE

###### DISCOUNTED CASH FLOW METHOD

The fair value of each income-producing SA property is determined by calculating its net present value by discounting forecasted future net cash flows and a residual value at the end of the cash flow projection period by the discount rate of each property. The residual value is calculated using an appropriate exit capitalisation rate. The discount rate used to determine the fair value of each property is a function of the exit capitalisation rate and the long-term market rental growth rate. The exit capitalisation rate is dependent on a number of factors, including location, asset class, market conditions, lease covenants and the risks inherent in the property. This is the preferred method applied to our internal valuations and by the SA independent valuers for our logistics and industrial properties in the current year, consistent with the prior year.

###### INCOME CAPITALISATION METHOD

The external valuations in the UK were performed by capitalising the current income stream by targeting a net initial yield as well as taking into account the nominal equivalent yield, as the properties are reversionary. This consideration for the length of secure income for the property, the covenant strength of the tenant, the quality of the building and associated reletting prospects. Additionally, comparable market evidence is evaluated in determining the fair value.

##### SIGNIFICANT UNOBSERVABLE INPUTS

- Exit capitalisation rates varied between 7.3% and 9.5% (2021: 7.3% and 12.0%) for SA properties.
- Discount rates varied between 12.3% and 14.0% (2021: 12.3% and 14.3%) for SA properties.
- Income capitalisation rates for UK properties varied between 2.7% and 4.1% (2021: 3.6% and 4.7%).
- Expected market rentals

##### INTER-RELATIONSHIP BETWEEN UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT

The overall valuations are sensitive to all three assumptions listed above. The impact of vacancy is deemed to be immaterial on the valuations as the majority of the Group's leases are long dated, with no view of material vacancies in the portfolio in the near future. Management deems that the range of possible alternative assumptions is greatest for the exit capitalisation rates. The impact of changing the significant unobservable inputs on the fair value of investment property is detailed in note 9.

### CRITICAL ESTIMATES AND JUDGEMENTS - ACQUISITION OF PROPERTY SUBSIDIARIES

Where the Group obtains control of entities that own investment properties, or when the Group acquires properties or a group of properties collectively, an evaluation is performed as to whether such acquisitions should be accounted for as business combinations or acquisitions in terms of IAS 40 Investment Properties. An acquisition is not considered to be a business combination if at the date of the acquisition of the entity the integrated activities deemed necessary to generate a business are not present. The Group concluded that all acquisitions of properties in the current financial year were of this nature. Therefore these were accounted for in terms of IAS 40 Investment Properties.

### CRITICAL ESTIMATES AND JUDGEMENTS - LEASE TERM

Where the Group recognises a lease liability and corresponding right-of-use asset, consideration is given around the extension options of the lease, in terms of IFRS 16. An evaluation of the facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option on the remaining lease term, is performed. These include an assessment of the likelihood of the renewable by the tenant situated on the leasehold land, the potential business disruption by not extending and the unrecoverable costs or penalties incurred to extend or terminate the contract. The Group concluded that all lease liabilities and right-of-use assets are appropriately accounted for based on the lease term and that any significant changes or circumstances in the current year to this assessment have been accounted for.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

## 4 INVESTMENT PROPERTY CONTINUED

### 4.1 RECONCILIATION OF INVESTMENT PROPERTY

R'000	SA					UK					TOTAL	
	LOGISTICS	INDUSTRIAL	OFFICE	PROPERTIES UNDER DEVELOPMENT	ZONED INDUSTRIAL LAND <sup>2</sup>	STRATEGIC LAND HOLDINGS <sup>2</sup>	RIGHT OF USE ASSET	LOGISTICS	PROPERTIES UNDER DEVELOPMENT	ZONED INDUSTRIAL LAND <sup>2</sup>		STRATEGIC LAND HOLDINGS <sup>2</sup>
<b>BALANCE AS AT 1 MARCH 2020</b>	<b>6 128 438</b>	<b>466 255</b>	<b>111 189</b>	<b>483 740</b>	<b>886 917</b>	<b>190 952</b>	<b>21 502</b>	<b>5 544 184</b>	<b>94 786</b>	<b>—</b>	<b>589 175</b>	<b>14 517 138</b>
Acquisitions	3 295 498	—	—	—	54 441	260 000	—	13 995	—	361 822	180 400	4 152 161
Improvements and extensions	31 431	1	—	—	—	—	—	—	—	—	—	45 427
Construction and development costs <sup>4</sup>	—	—	—	750 597	88 889	31 945	—	—	434 187	39 019	66 607	1 411 244
Government grants received	—	—	—	—	—	—	—	—	(62 252)	—	—	(62 253)
Transfers <sup>1</sup>	841 601	(46 208)	(111 189)	(720 004)	(10 408)	—	—	279 319	122 926	(239 178)	(504 411)	(387 552)
Letting commission capitalised	2 718	—	—	—	—	—	—	2 093	—	—	—	4 811
Letting commission amortised	(1 524)	—	—	—	—	—	—	(817)	—	—	—	(2 342)
Lease incentives capitalised	1 250	—	—	—	—	—	—	—	—	—	—	1 250
Lease incentives amortised	(246)	—	—	—	—	—	—	—	—	—	—	(246)
Remeasurements	—	—	—	—	—	—	2 472	—	—	—	—	2 472
Fair value adjustment	(337 919)	(99 669)	—	970	9 199	—	(3 157)	206 254	—	—	—	(224 323)
Disposals	—	—	—	—	—	—	—	(863 638)	—	—	—	(863 638)
Foreign exchange movements	—	—	—	—	—	—	—	257 727	14 719	4 142	7 545	284 133
<b>BALANCE AS AT 28 FEBRUARY 2021</b>	<b>9 961 247</b>	<b>320 379</b>	<b>—</b>	<b>515 303</b>	<b>1 029 038</b>	<b>482 897</b>	<b>20 817</b>	<b>5 439 117</b>	<b>604 366</b>	<b>1 65 805</b>	<b>339 316</b>	<b>18 878 285</b>
Acquisitions	2 478 107	—	—	33 521	41 004	—	15 948	—	—	—	—	2 928 248
Improvements and extensions	84 407	—	—	—	—	—	—	43 730	—	—	—	128 137
Construction and development costs <sup>4</sup>	—	—	—	432 730	96 972	54 631	—	—	1 526 082	—	235 122	2 345 537
Transfers <sup>1</sup>	319 014	48 077	—	(83 005)	(246 724)	(219 835)	—	893 926	(893 926)	(165 805)	(27 753)	(376 031)
Letting commission capitalised	3 794	—	—	—	—	—	—	(838)	—	—	—	3 794
Letting commission amortised	(2 400)	—	—	—	—	—	—	—	—	—	—	(3 238)
Lease incentives amortised	(397)	—	—	—	—	—	—	—	—	—	—	(397)
Remeasurements	—	—	—	—	—	—	951	—	—	—	—	951
Fair value adjustment	(329 365)	(4 700)	—	—	(16 229)	770	(7 336)	844 365	523 863	—	177 901 <sup>3</sup>	1 189 269
Disposals	—	—	—	—	(100 363)	—	—	—	—	—	—	(100 363)
Foreign exchange movements	—	—	—	—	—	—	—	(53 345)	23 000	—	6 760	(23 585)
<b>BALANCE AS AT 28 FEBRUARY 2022</b>	<b>12 514 407</b>	<b>363 756</b>	<b>—</b>	<b>898 549</b>	<b>803 698</b>	<b>318 463</b>	<b>30 380</b>	<b>7 166 955</b>	<b>1 783 385</b>	<b>—</b>	<b>1 091 014</b>	<b>24 970 607</b>

1 Transfers relates to the following:

- Land which has been zoned and serviced and available for a development to commence;
- Land where a development has commenced;
- Investment properties under development which have been completed;
- Properties that are being refurbished;
- Properties that have been recognised as held for sale (note 4.2); and
- Land and developments which are held as trading property (note 5).

2 Land immediately available for development are land parcels that have the necessary zoning rights and have been prepared for developments. Land for future developments relate to land parcels which are in the process of obtaining the necessary zoning rights to be available for development.

3 The fair value uplift reflected on land in the UK relates to the Newport Pagnell land which was externally valued at 28 February 2022.

4 Includes borrowing costs capitalised of R260m (2021: R223m)



R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>4.2 INVESTMENT PROPERTY HELD FOR SALE</b>		
Opening balance	86 112	40 455
Transferred from investment property	161 718	46 208
Improvements	1 228	–
Fair value adjustment	(20 952)	(551)
Disposal	(21 982)	–
<b>INVESTMENT PROPERTIES HELD FOR SALE</b>	<b>206 124</b>	<b>86 112</b>
Investment property held for sale includes properties, which are considered non-core assets comprising of an office in Gauteng and six smaller logistics and industrial assets in the Western Cape. We have concluded sale agreements on all of these properties and transfer is yet to occur. Transfer of these properties are expected to take place within six months after year end.		
<b>4.3 STRAIGHT-LINING LEASE INCOME ACCRUAL</b>		
Contractual lease receivables are as follows:		
Within one year	1 455 626	1 161 829
Within two years	1 425 203	1 159 357
Within three years	1 353 081	1 102 143
Within four years	1 291 417	1 007 873
Within five years	1 244 443	911 112
Beyond five years	10 639 337	9 185 004
	<b>17 409 107</b>	<b>14 527 318</b>
Less: lease revenue on a straight-line basis	(16 862 107)	(14 162 572)
<b>STRAIGHT-LINING LEASE INCOME ACCRUAL</b>	<b>547 000</b>	<b>364 746</b>
The Group has assessed the impact of expected credit losses on the straight-lining lease income accrual. We deem the impact to be immaterial and any negative impacts would be reflected in the fair value of investment property.		
External property valuations were obtained from the following independent valuers:		
<ul style="list-style-type: none"> <li>■ Knight Frank (Pty) Ltd, Mills Fitchet Magnus Penny and Viking Valuations (Pty) Ltd in SA</li> <li>■ Cushman &amp; Wakefield Debenham Tie Leung Ltd, Savills (UK) Ltd and Jones Lang LaSelle IP, Inc. in the UK</li> </ul>		
The valuers are considered to hold the relevant professional qualifications with experience in the location and category of the investment properties valued.		
Portfolio externally valued	21 380 765	7 817 000
Investment properties encumbered as security against the Group's loan facilities (for further detail refer to Note 7.3: Asset encumbrance).	13 837 301	12 051 625

The majority of the Group's leases are fully repairing and insuring with the average lease expiring after 13.7 years (2021: 15.4 years). SA leases contain contractual escalations over the lease where UK leases contain rent reviews after every 5 years.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 5 TRADING PROPERTY

#### ACCOUNTING POLICY

##### TRADING PROPERTIES

Trading properties comprise of land and properties under development acquired and developed for sale or being held for sale after the development is complete. Trading properties are recognised at the lower of cost and net realisable value. Costs include direct expenditure and capitalised interest. Net realisable value is the estimated selling price less the estimated costs to complete and make the sale.

Trading properties under development takes longer than 12 months to complete, however, the asset can be sold in its current state should the contracting party intend to complete the sale prior to completion of the property.

Trading properties are transferred to investment properties when there is a change of intention which results in the Group concluding that it will recover the future economic benefits from the asset through holding the asset for capital appreciation and/or to generate rental income in the long-term.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
Balance as at 1 March 2021	464 670	—
Transfers from Investment Property (note 4.1)	214 313	341 344
Capital expenditure <sup>1</sup>	204 017	109 161
Foreign exchange movement	(4 073)	14 165
<b>BALANCE AS AT 28 FEBRUARY 2022</b>	<b>878 927</b>	<b>464 670</b>

<sup>1</sup> Includes borrowing costs capitalised of R47m (2021: nil)

### 6 CAPITAL MANAGEMENT

The Group aims to maintain a strong capital base through the optimal management of equity and debt to ensure the long-term sustainability of the business whilst providing reliable returns for shareholders, and to maintain an optimal capital structure to reduce the cost of capital. The Group may maintain or adjust the capital structure through various mechanisms, including issuing new shares, raising new debt or selling assets to reduce debt.

One of the measures that the Group employs to monitor capital is the calculation of an LTV ratio – the ratio of net debt to the fair value of property assets – consistent with others in the industry. The current Group strategy is to maintain a conservative LTV ratio, well below our strictest financial covenants of 50%. The LTV ratio increased from 31.2% at 28 February 2021 to 31.5% at 28 February 2022 predominantly as a result of a R2.2bn increase in unsecured loans and debt issuance. This includes an increase of £59m (R1.2bn) in GBP-denominated debt, predicated on our commitment to source sterling debt for our UK assets, and commensurate with a R6.7bn increase in the value of property assets.

In order to further reinforce the Group's balance sheet and optimise capital structure, the Group raised R2.7bn of equity through capital raises in July 2021 and February 2022 and dividend reinvestment in May and October 2021.

The Group complied with the financial covenants of all borrowing facilities during the period.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>NET DEBT</b>	<b>8 430 429</b>	<b>6 216 027</b>
Total assets	27 740 130	20 857 199
Less: assets related to net debt	(958 621)	(925 436)
<b>FAIR VALUE OF PROPERTY ASSETS</b>	<b>26 781 509</b>	<b>19 931 763</b>
<b>LTV RATIO</b>	<b>31.5%</b>	<b>31.2%</b>

## 7 LOANS AND BORROWINGS

### ACCOUNTING POLICY

#### FINANCIAL LIABILITIES

Borrowings are initially recognised at fair value (net of any transaction costs) and subsequently at amortised cost. Borrowings are generally long-term in nature and are classified as non-current liabilities, except to the extent that amounts are contractually repayable in the 12 months from the reporting date.

Borrowings are classified as financial liabilities and are measured at amortised cost using the effective interest rate method.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>NON-CURRENT LIABILITIES</b>		
Secured bank loans	4 483 306	4 243 785
Unsecured bank loans	1 412 906	300 000
Unsecured bonds	2 078 056	1 300 000
	<b>7 974 268</b>	<b>5 843 785</b>
<b>CURRENT LIABILITIES</b>		
Secured bank loans	206 751	588 023
Unsecured bank loans	—	196 535
Unsecured bonds and commercial paper	819 553	200 000
	<b>1 026 304</b>	<b>984 558</b>
<b>TOTAL LOANS AND BORROWINGS</b>	<b>9 000 572</b>	<b>6 828 343</b>
<p>The fair values of loans and borrowings are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Fair value is determined in accordance with Level 3 fair value methodology.</p> <p>Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 8 – Financial Risk Management.</p>		
<b>7.1 SOURCES OF DEBT FUNDING</b>		
JSE-listed debt	2 900 000	1 500 000
Absa	615 000	325 000
Aviva Commercial Finance	1 591 980	1 575 918
HSBC UK Bank	948 143	458 371
Investec	200 000	200 000
Nedbank	1 500 000	1 500 000
RMB	432 041	121 102
Sanlam	—	38 000
Standard Bank of South Africa (note 7.6)	2 056 205	1 546 778
<b>TOTAL DEBT AND BANKING FACILITIES</b>	<b>10 243 369</b>	<b>7 265 169</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 7 LOANS AND BORROWINGS CONTINUED

#### 7.2 TERMS AND REPAYMENT SCHEDULE

The terms and conditions of outstanding loans are as follows:

	<b>GROUP</b>			
	<b>CURRENCY</b>	<b>NOMINAL INTEREST RATE<sup>1</sup></b>	<b>MATURITY</b>	<b>BALANCE</b>
<b>AT 28 FEBRUARY 2022</b>				
Secured bank loans	GBP	2.65%	2026	1 575 726
Secured bank loans	GBP	S+2.16%	2025	927 971
Secured bank loans	GBP	S+1.79%	2022 - 23	1 241 956
Secured bank loans	ZAR	3mj+1.75%	2023 - 25	944 404
Unsecured bank loans	ZAR	3mj+1.65%	2024 - 27	1 412 906
Unsecured bonds	ZAR	3mj+1.64%	2022 - 25	2 597 690
Unsecured commercial paper	ZAR	3mj+1.00%	2022	299 919
<b>TOTAL LOANS AND BORROWINGS</b>				<b>9 000 572</b>

<sup>1</sup> Nominal interest rate: weighted average rate where more than one loans have been aggregated by maturity bucket

3mj: 3 month JIBAR

S: SONIA

#### AT 28 FEBRUARY 2021

Secured bank loans	GBP	2.64%	2026	1 575 918
Secured bank loans	GBP	3mL+2.10%	2025	458 371
Secured bank loans	GBP	3mL+1.55%	2021	525 778
Secured bank loans	ZAR	3mj+1.65%	2021 - 24	2 112 639
Secured bank loans	ZAR	1mj+2.24%	2021	159 102
Unsecured bank loans	ZAR	3mj+1.85%	2024	300 000
Unsecured bank loans	ZAR	5.30%	2021	196 535
Unsecured bonds	ZAR	3mj+1.87%	2022 - 25	1 300 000
Unsecured commercial paper	ZAR	3mj+1.10%	2021 - 22	200 000
<b>TOTAL LOANS AND BORROWINGS</b>				<b>6 828 343</b>

<sup>1</sup> Nominal interest rate: weighted average rate

1mj: 1 month JIBAR

3mL: 3 month LIBOR

3mj: 3 month JIBAR

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>7.3 ASSET ENCUMBRANCE</b>		
Secured borrowings	4 690 057	4 831 808
Secured assets (see note 4.3)	13 837 301	12 051 625
<b>RATIO OF SECURED BORROWINGS TO SECURED ASSETS</b>	<b>33.9%</b>	<b>40.1%</b>
Unsecured borrowings	4 310 515	1 996 535
Unsecured assets	12 765 586	7 484 696
<b>RATIO OF UNSECURED BORROWINGS TO UNSECURED ASSETS</b>	<b>33.8%</b>	<b>26.7%</b>
<b>7.4 MATURITY PROFILE</b>		
The earliest contractual maturity date of outstanding loans is profiled as follows.		
Within one year	1 026 304	984 558
Within two years	2 334 214	1 399 996
Within three years	2 097 122	1 760 500
Within four years	1 352 508	449 000
Beyond four years	2 190 424	2 234 289
<b>TOTAL LOANS AND BORROWINGS</b>	<b>9 000 572</b>	<b>6 828 343</b>
<b>7.5 FINANCIAL COVENANTS</b>		
The Group has a number of debt facility agreements which contain varied financial covenants. Across all of these facility agreements, the strictest of financial covenants require the Group to maintain a loan-to-value ratio of no more than 50%, an interest coverage ratio of at least 2 times, NAV in excess of R8 billion and an unencumbered asset ratio of at least 20%.		
<b>FINANCIAL COVENANT</b>	<b>REQUIREMENT</b>	
Loan-to-value ratio	<= 50%	31.5%
Interest coverage ratio	>= 2 times	8.7 times
Net asset value	R8 billion	R17.5 billion
Unencumbered asset ratio	>= 20%	48.0%
<b>7.6 SUSTAINABILITY-LINKED KEY PERFORMANCE INDICATORS</b>		
The Group entered into a Sustainability-linked instruments during the year ended 28 February 2022. If two or more of the sustainability performance targets (SPTs) are met, the interest payable under the note will be reduced by up to 3bp per annum and if one or less SPTs are met, the interest payable will be increased by up to 3bp per annum. The changes in these rates will be reflected in the period in which the change occurs. The sustainability performance targets are:		
<ul style="list-style-type: none"> <li>■ All new building developments are to be EDGE and/or BREEAM certified.</li> <li>■ Renewable energy as a proportion of total energy consumption needs to increase by 15% per annum.</li> <li>■ Enterprise and supplier development spend needs to increase by 20% per annum.</li> </ul>		
<b>7.7 RECONCILIATION OF LOANS AND BORROWINGS</b>		
<b>OPENING BALANCE</b>	6 828 343	4 796 043
Proceeds from borrowings	4 782 461	4 446 720
Repayment of borrowings	(2 563 648)	(2 522 089)
Loan fees paid and amortisation	(1 591)	(8 975)
Foreign exchange (gain)/loss	(44 993)	116 645
<b>CLOSING BALANCE</b>	<b>9 000 572</b>	<b>6 828 343</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 8 FINANCIAL RISK MANAGEMENT

#### ACCOUNTING POLICY

##### FINANCIAL ASSETS

Financial assets at fair value through profit or loss are investments which were acquired principally for the purpose of selling in the short-term. These financial assets therefore are not classified either at amortised cost or fair value through other comprehensive income. Such assets are classified as current or non-current based on their expected maturity.

Financial assets at fair value through profit or loss are carried at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

##### DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments comprise of interest rate and foreign exchange rate instruments and are either assets or liabilities and are classified as current or non-current based on the termination date of the instrument. Purchases and settlements of derivative financial instruments are initially recognised on the trade date at fair value and are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of derivative financial instruments are included as fair value adjustments in profit and loss together with the related interest and/or other income. Realised gains and losses in respect of interest rate derivatives are presented in finance costs. Income accrued on currency derivative instruments are presented within other net gains or losses.

The Group does not apply hedge accounting and does not enter into derivative contracts for trading or speculative purposes. Any references to hedging refers to economic hedges.

The Group has exposure to the following risks arising from financial instruments:

- Credit risk (Note 8.2);
- Liquidity risk (Note 8.3); and
- Market risk, including interest rate and foreign exchange risk (Note 8.4).

#### 8.1 RISK MANAGEMENT FRAMEWORK

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group Risk and Capital Committee is responsible for developing the Group's risk management policies, and evaluating and improving the effectiveness of risk management, control and governance processes within the Group. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. In respect of financial reporting risks, the Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and the Group Risk and Capital Committee reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Both committees report regularly to the board of directors on activities.

#### 8.2 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Credit risk also arises from the Group's cash balances and derivative financial instruments (where these are in an asset position) held with financial institutions. The carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets recognised in profit or loss relate to trade and other receivables.

##### 8.2.1 TRADE AND OTHER RECEIVABLES

The Group has credit vetting procedures in place before entering into leases with new tenants. The Group's tenants are predominantly blue-chip companies and there were no significant concentrations of credit risk at year-end. See Note 12: Trade and other receivables for disclosure of expected credit loss allowances.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>8.2.2 FINANCIAL ASSETS (EXCLUDING CASH AND CASH EQUIVALENTS)</b>		
<b>FINANCIAL ASSETS AT FAIR VALUE</b>		
Derivatives not specifically designated as hedging instruments (note 8.2.3)	165 282	27 420
<b>FINANCIAL ASSETS AT AMORTISED COST</b>		
Trade and other receivables (note 12)	208 805	215 192
<b>TOTAL FINANCIAL ASSETS (OTHER THAN CASH AND CASH EQUIVALENTS)</b>	<b>374 087</b>	<b>242 612</b>
Total current	313 450	233 368
Total non-current	60 637	9 244

During the year, the Group invested and divested surplus cash held in money market funds. The balance held in these funds at year end was nil (2021: nil).

Cash and cash equivalents were held at various SA and UK banks.

The Group deposits funds and trades derivative instruments with various financial institutions in both SA and the UK. From a credit risk perspective, the Group places reliance on the published credit ratings of the major rating agencies together with the Group's own analysis and research. The tables below show the balances and the foreign currency long term ratings from Moody's and Standard & Poor's for cash and cash equivalents and derivative financial assets.

	MOODY'S FC LT	S&P FC LT		
Absa	Ba2	BB-	20 669	–
HSBC UK Bank	A1	A+	22 915	530 398
Investec Bank	Ba2	BB-	466 203	2 937
Nedbank	Ba2	BB-	37 916	31 115
Royal Bank of Scotland	A1	A	22 176	47 848
Standard Bank of South Africa	Ba2	BB-	264	18
<b>CASH &amp; CASH EQUIVALENTS</b>			<b>570 143</b>	<b>612 316</b>

### 8.2.3 DERIVATIVE FINANCIAL INSTRUMENTS

The Group is exposed to credit risk in relation to derivative financial instruments which have a mark-to-market value in favour of the Group. The breakdown of this exposure both by derivative instrument type and by counterparty is as follows:

Interest Rate Swaps			77 382	6 323
Interest Rate Derivatives			60 118	–
Cross Currency Swaps			16 632	14 518
FX Zero-Cost Collars			929	46
FX Average Rate Forwards			10 221	6 532
<b>DERIVATIVES WITH A POSITIVE MARK-TO-MARKET VALUATION BY INSTRUMENT</b>			<b>165 282</b>	<b>27 419</b>

	MOODY'S FC LT	S&P FC LT		
Absa Bank	Ba2	BB-	30 364	14 518
HSBC UK Bank	A1	AA-	10 670	2 251
Nedbank	Ba2	BB-	52 319	4 969
RMB	Ba2	BB-	6 692	–
Standard Bank of South Africa	Ba2	BB-	65 237	5 681
<b>DERIVATIVES WITH A POSITIVE MARK-TO-MARKET VALUATION BY COUNTERPARTY</b>			<b>165 282</b>	<b>27 419</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 8 FINANCIAL RISK MANAGEMENT CONTINUED

#### 8.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities as they become due. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors its net liquidity position on a continuous basis by means of expected cash flows. The Group seeks to reduce liquidity risk through the regular review of the maturity profile of financial liabilities to reduce refinancing risk, utilising facilities with differing maturities to reduce maturity concentration and by employing revolving credit and other similar facilities.

#### 8.3.1 FINANCING ARRANGEMENTS

The Group had R1.2bn (2021: R1.2bn) of revolving credit facilities as at 28 February 2022, of which R1.2bn (2021: R437m) was undrawn at year-end.

MATURITY	GROUP			
	2022		2021	
	DEBT & BANKING FACILITIES	UNDRAWN FACILITIES	DEBT & BANKING FACILITIES	UNDRAWN FACILITIES
Within one year	1 227 041	200 000	1 409 880	425 321
Between one and three years	4 936 205	500 000	3 171 000	10 504
Beyond three years	4 080 122	500 000	2 684 289	1 000
<b>TOTAL DEBT AND BANKING FACILITIES</b>	<b>10 243 368</b>	<b>1 200 000</b>	<b>7 265 169</b>	<b>436 825</b>

#### 8.3.2 FINANCIAL LIABILITIES (EXCLUDING LOANS AND BORROWINGS)

##### FINANCIAL LIABILITIES AT FAIR VALUE

Derivatives not specifically designated as hedging instruments (note 8.4.2.1)	173 207	301 618
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##### FINANCIAL LIABILITIES AT AMORTISED COST

Trade and other payables (note 16)	475 206	533 474
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Lease liabilities (note 16)	38 636	27 274
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<b>TOTAL FINANCIAL LIABILITIES (EXCLUDING LOANS AND BORROWINGS)</b>	<b>687 049</b>	<b>862 366</b>
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Total current	569 849	714 865
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Total non-current	117 200	147 501
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#### 8.3.3 MATURITIES OF FINANCIAL LIABILITIES

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative and derivative financial liabilities. The amounts disclosed in the tables for non-derivative financial liabilities are the contractual undiscounted cash flows, and the amounts for derivatives are the current mark-to-market valuations. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
Borrowings	1 026 304	984 558
Lease liabilities	5 763	5 241
Interest repayments	262 520	290 536
Trade and other payables	475 206	533 474
Derivatives	88 880	176 150
<b>REPAYABLE WITHIN ONE YEAR OR ON-DEMAND</b>	<b>1 858 673</b>	<b>1 989 959</b>
Borrowings	4 431 336	3 160 496
Lease liabilities	18 231	13 350
Interest repayments	453 214	470 371
Derivatives	41 807	9 609
<b>REPAYABLE BETWEEN ONE AND THREE YEARS</b>	<b>4 944 588</b>	<b>3 653 826</b>



R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
Borrowings	3 542 932	2 683 289
Lease liabilities	14 642	8 683
Interest repayments	20 177	183 102
Derivatives	42 520	115 859
<b>REPAYABLE BEYOND THREE YEARS</b>	<b>3 620 271</b>	<b>2 990 933</b>

The interest payments on variable interest rate loans and bond issues in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on derivative instruments may be different from the amount in the above table as interest rates and exchange rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### 8.4 MARKET RISK

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. From the Group's perspective, the main market risks at present pertain to interest rates (both in SA and the UK) and foreign exchange rates (principally the GBP/ZAR exchange rate). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group uses derivatives to manage market risks. All such transactions are carried out within the Group's treasury policy guidelines set by the Risk and Capital Committee.

The Group does not apply hedge accounting and does not enter into derivative contracts for trading or speculative purposes.

##### 8.4.1 MANAGING INTEREST RATE BENCHMARK REFORM AND ASSOCIATED RISKS

###### OVERVIEW

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative near risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that have or will be replaced or reformed as part of these market-wide initiatives.

The Group has modified all of its floating-rate liabilities indexed to sterling LIBOR to reference SONIA during the year ended 28 February 2022. The transition happened on an economically equivalent basis and there were no other changes made to the contracts.

There exists uncertainty around the timing and the methods of transition for ZAR JIBAR. The Group currently has a number of contracts which reference ZAR JIBAR, all of which have yet to transition to an alternative benchmark interest rate as at 28 February 2022. These contracts are disclosed within the table below.

###### DERIVATIVES

The Group has modified all of its derivatives indexed to sterling LIBOR to reference SONIA during the year ended 28 February 2022. The timing of the transition of liabilities was matched with the timing of the transition of derivatives related to those liabilities to the extent possible.

The Group holds derivatives, including interest rate swaps, for risk management purposes which have floating legs that are indexed to ZAR JIBAR. The Group's derivative instruments are governed by contracts based on ISDA master agreements. The transition from ZAR JIBAR to an alternative secured overnight financing rate may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Group will endeavour to match the timing of the transition of liabilities referenced to ZAR JIBAR with the timing of the transition of derivatives related to those liabilities to the extent possible.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 8 FINANCIAL RISK MANAGEMENT CONTINUED

#### 8.4 MARKET RISK CONTINUED

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>LIABILITIES EXPOSED TO GBP LIBOR MATURING AFTER 31 DECEMBER 2021</b>		
Long-term debt	–	458 371
Derivatives	–	51 602
<b>TOTAL LIABILITIES EXPOSED TO GBP LIBOR</b>	<b>–</b>	<b>509 973</b>
<b>LIABILITIES EXPOSED TO ZAR JIBAR MATURING AFTER 28 FEBRUARY 2022</b>		
Long-term debt	5 254 920	3 809 496
Derivatives	109 742	151 051
<b>TOTAL LIABILITIES EXPOSED TO ZAR JIBAR</b>	<b>5 364 662</b>	<b>3 960 547</b>

#### 8.4.2 DERIVATIVE INSTRUMENTS

The Group utilises a range of derivative instruments to hedge market risks. The Group does not enter into derivative instruments for speculative purposes. All derivative instruments are valued at mark-to-market. The table below describes the reason for the utilisation of the derivative instruments employed by the Group.

DERIVATIVE	RISK MITIGATION
<b>INTEREST RATE SWAPS AND DERIVATIVES</b>	The Group enters into derivative financial instruments to manage its exposure to interest rates by hedging the interest rate exposure on floating rate loans.
<b>CROSS CURRENCY SWAPS AND FX SWAPS</b>	The Group enters into cross-currency interest rate derivatives to hedge interest rate and/or foreign currency exposure from investments in UK operations.
<b>DUAL CURRENCY DEPOSITS</b>	The Group enters into short-term financial instruments to obtain higher investment yields when currency flows and liquidity permit.
<b>FX AVERAGE RATE ZERO-COST COLLARS AND FORWARDS</b>	The Group enters into foreign exchange derivatives to manage exposure to foreign exchange risk by forward selling foreign currency according to predetermined foreign income hedging levels.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>8.4.2.1 MARK-TO-MARKET VALUATION OF DERIVATIVE INSTRUMENTS</b>		
Interest rate swaps	(2 275)	(130 487)
Interest rate derivatives	(28 315)	(75 187)
Cross currency swaps	16 155	(65 423)
Dual currency deposits	(2 182)	(6 063)
FX zero-cost collars	(1 529)	(968)
FX average rate forwards	10 221	3 929
<b>TOTAL</b>	<b>(7 925)</b>	<b>(274 199)</b>
Derivative financial assets (note 8.2.3)	165 282	27 419
Derivative financial liabilities note 8.3.2)	(173 207)	(301 618)
<b>8.4.2.2 NOTIONAL VALUE OF DERIVATIVE INSTRUMENTS</b>		
Interest rate swaps	5 365 363	3 825 270
Interest rate derivatives	1 800 000	1 692 028
Cross currency swaps	2 219 879	1 944 252
Dual currency deposits	465 633	378 560
FX zero-cost collars	199 796	83 601
FX average rate forwards	49 017	166 314
<b>TOTAL</b>	<b>10 099 688</b>	<b>8 090 025</b>

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>8.4.2.3 NOTIONAL VALUE OF ZAR-DENOMINATED DERIVATIVES</b>		
Interest rate swaps	3 935 000	2 835 000
Interest rate derivatives	1 800 000	1 000 000
<b>TOTAL</b>	<b>5 735 000</b>	<b>3 835 000</b>
<b>£'000</b>		
<b>8.4.2.4 NOTIONAL VALUE OF GBP-DENOMINATED OR GBP-REFERENCED DERIVATIVES</b>		
Interest rate swaps	69 086	47 086
Interest rate derivatives	—	32 905
Cross currency swaps	107 500	92 447
Dual currency deposits	22 490	18 000
FX zero-cost collars	9 650	3 975
FX average rate forwards	2 368	7 908
<b>TOTAL</b>	<b>211 094</b>	<b>202 321</b>
<b>8.4.3 CURRENCY &amp; TRANSLATION RISK</b>		
The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which revenue, costs, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are the ZAR and GBP. Most of the Group's external revenue and costs arise within SA and are denominated in South African rand. Where the Group's foreign operations trade and are funded in their functional currency, this limits their exposure to foreign exchange volatility. Therefore, the Group's policy is, wherever possible, that funding should be secured in a currency to match the currency of the underlying rental cashflows to minimise foreign exchange volatility through natural hedges. Where this is not possible at competitive rates, the Group enters into derivative instruments to hedge foreign currency, capital purchases, purchase and sale commitments, interest expense and foreign currency investments. The Group currently partially finances the UK expansion through a combination of SA debt and equity and therefore has foreign exchange exposure on its capital investment in the UK. The Group has continued to expand into the UK during the year under review.		
The following exchange rates have been applied.		
GBP/ZAR average rate	20.4428	21.3359
GBP/ZAR year-end spot rate	20.7041	21.0311
<b>£'000</b>		
<b>8.4.3.1 EXPOSURE TO CURRENCY RISK</b>		
The summary quantitative data about the Group's exposure to currency risk on financial assets and financial liabilities is as follows.		
Trade receivables	1 742	28 641
Cash & cash equivalents	2 329	2 554
Derivatives	515	107
Secured bank loans	(120 928)	(96 932)
Trade payables	(14 334)	(15 787)
<b>NET STATEMENT OF FINANCIAL POSITION EXPOSURE</b>	<b>(130 676)</b>	<b>(81 417)</b>
Next 12 months forecast distributable income	10 809	10 022
<b>NET FORECAST TRANSACTION EXPOSURE</b>	<b>10 809</b>	<b>10 022</b>
Forward exchange contracts	(8 128)	(6 978)
Cross currency swaps	107 500	92 447
<b>NET EXPOSURE</b>	<b>(20 495)</b>	<b>14 074</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 8 FINANCIAL RISK MANAGEMENT CONTINUED

#### 8.4 MARKET RISK CONTINUED

##### 8.4.3 CURRENCY & TRANSLATION RISK CONTINUED

£'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>8.4.3.2 HEDGING OF CAPITAL INVESTMENT – TRANSLATION RISK</b>		
The table below shows the carrying amounts of the Group's foreign currency assets and liabilities and the percentage of foreign net assets which are currently hedged.		
Foreign assets	521 876	366 322
Foreign liabilities	(156 571)	(115 559)
<b>FOREIGN NET ASSETS</b>	<b>365 305</b>	<b>250 763</b>
Nominal value of GBP/ZAR cross-currency swaps	107 500	92 447
Derivative hedging of foreign assets	20.6%	25.2%

The Group's treasury policy restricts the utilisation of cross currency interest rate swaps to 45% of foreign denominated assets over time. The Group achieves this by continually monitoring its exposure to foreign exchange rates as a result of its investment into the UK. There was no increase to the notional utilisation of cross-currency swaps in the current financial year.

##### 8.4.3.3 HEDGING OF CASHFLOW

Cash flows from Group operations in the UK are exposed to movements in the GBP/ZAR exchange rate. To manage the impact of currency volatility, the Group has adopted a policy of hedging at least 80% of its 12 month projected forward net cashflow and 40% of its 12-24 month projected forward net cash flow derived in foreign currency. The UK expansion plan has necessitated that all surplus net operating rental cashflows are reinvested into future developments. As future developments are expected to utilise all surplus free cashflow generated in the UK over the next 24 months, and in line with the prior year, no cash flow hedges have been entered into.

##### 8.4.3.4 HEDGING OF DISTRIBUTABLE EARNINGS

The Group utilises natural hedges to minimise its exposure of fluctuations in foreign exchange rates on its distributable earnings to the full extent possible. The Group settles interest expenses on pound-denominated loans and derivative hedges in pounds, which partially hedges its foreign exchange rate exposure. In relation to the residual exchange rate risk, the Group assesses the likely impact on the funds to be received from its foreign operations of reasonably possible changes in the GBP/ZAR exchange rate using financial modelling and hedges its exposure to this exchange rate. The Group has implemented a base hedging level for funds expected to be earned from its UK operations in the next 24 months in line with the below policy.

- Hedge 80% of the income projected to be received in the following 6 months;
- Hedge 70% of the income projected to be received in months 7 to 12;
- Hedge 45% of the income projected to be received in months 13 to 18; and
- Hedge 30% of the projected income to be received in months 19 to 24.

The average 12-month minimum hedging level is 75%, and the level of income hedging tapers off with later maturities to provide the Group with limited upside in relation to the GBP/ZAR exchange rate. As time elapses, each maturity will move closer towards the initial period and therefore the amount of Group income hedged will increase in line with the above policy. As at 28 February 2022, the Group had hedged net income to be received over the next 24 months as follows.

SIX-MONTH PERIOD ENDING	EFFECTIVE HEDGING LEVEL	BLENDED PARTICIPATION FLOOR	BLENDED PARTICIPATION CAP
31 August 2022	80.0%	R22.23/GBP	R22.73/GBP
28 February 2023	70.0%	R20.87/GBP	R22.85/GBP
31 August 2023	45.0%	R20.82/GBP	R22.89/GBP
29 February 2024	30.0%	R21.00/GBP	R23.83/GBP

#### 8.4.3.5 SENSITIVITY ANALYSIS TO EXCHANGE RATES

The impact on net profit is principally due to the impact of the change in the exchange rate on the mark-to-market of the Group's financial derivative contracts. Therefore, an analysis of the sensitivity of changes in exchange rates has been performed in relation to net profit, total equity and distributable earnings.

The sensitivity analysis applies two standard deviations ("2SD") above and below the GBP/ZAR 52-week simple moving average exchange rate. The sensitivity analysis includes the impact of currency hedging and assumes that other macroeconomic factors remain unchanged.

	2022		2021	
	2SD GBP/ZAR STRENGTH	2SD GBP/ZAR WEAKNESS	2SD GBP/ZAR STRENGTH	2SD GBP/ZAR WEAKNESS
Exchange rate	21.5018	19.3999	23.3889	19.4025
Distributable earnings	(20 744)	33 916	10 012	(6 915)
Net profit	(33 424)	67 818	(188 406)	150 272
Total equity	257 980	(408 613)	402 842	(258 120)

#### 8.4.4 INTEREST RATE RISK

The Group is exposed to interest rate risk on interest-bearing borrowings, cash and cash equivalents and other short-term interest-bearing investments.

The Group adopts a policy of ensuring that at least 80% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. Furthermore, the Group uses natural hedges which are embedded within lease agreements, to offset any adverse effects of an increase in interest rates with an increase in contractual rental income.

Hedging relationships that are impacted by IBOR reform may experience ineffectiveness because of a timing mismatch between the hedged item and the hedging instrument regarding IBOR transition. For further details, see 'Managing interest rate benchmark reform and associated risks' under Note 8.4.1 above.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>8.4.4.1 INTEREST RATE DERIVATIVE INSTRUMENTS</b>		
The following table depicts the nominal value of the interest rate derivative instruments which the Group has utilised to hedge floating rate liabilities:		
JIBAR-linked interest rate swaps	3 935 000	2 835 000
JIBAR-linked interest rate derivatives	1 800 000	200 000
SONIA-linked interest rate swaps	1 430 363	990 270
<b>TOTAL INTEREST RATE DERIVATIVES</b>	<b>7 165 363</b>	<b>4 025 270</b>
Weighted average maturity	February 2025	May 2023
<b>INTEREST RATE SWAP EMBEDDED IN LEASE AGREEMENTS</b>		
The Group has embedded interest rate hedges into some of its lease agreements as follows:		
Effective equivalent hedged value	75 601	191 344
Average maturity	31 August 2022	31 August 2022
Effective interest rate	6.70%	6.20%
Total interest rate derivatives	7 165 363	4 025 270
Embedded interest rate derivatives	75 601	191 344
<b>TOTAL NOMINAL VALUE OF INTEREST RATE HEDGES</b>	<b>7 240 964</b>	<b>4 216 614</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 8 FINANCIAL RISK MANAGEMENT CONTINUED

#### 8.4 MARKET RISK CONTINUED

##### 8.4.4.2 HEDGING EFFECTIVENESS

The Group regularly assesses the adequacy of its interest rate cover by analysing the effective interest hedging cover on total committed future financing cash outflows.<sup>1</sup>

R'000	GROUP			
	28 FEBRUARY 2022		28 FEBRUARY 2021	
	FACILITIES	BALANCES	FACILITIES	BALANCES
Vanilla interest rate swaps	5 365 363	5 365 363	3 825 270	3 825 270
Non-vanilla interest rate derivatives	1 200 000	1 200 000	200 000	200 000
Fixed-for-floating cross currency swap	—	—	600 000	600 000
Embedded derivative	75 601	75 601	191 344	191 344
<b>TOTAL INTEREST RATE HEDGES</b>	<b>6 640 964</b>	<b>6 640 964</b>	<b>4 816 614</b>	<b>4 816 614</b>
Total floating-rate borrowings	8 451 389	7 424 846	5 492 716	5 055 890
<b>HEDGE COVER OF FLOATING RATE DEBT</b>	<b>79%</b>	<b>89%</b>	<b>88%</b>	<b>95%</b>
Fixed rate borrowings	1 791 980	1 575 726	1 772 453	1 772 453
<b>INTEREST-BEARING BORROWINGS</b>	<b>10 243 369</b>	<b>9 000 572</b>	<b>7 265 169</b>	<b>6 828 343</b>
Hedge cover	8 432 944	8 216 690	6 589 067	6 589 067
<b>HEDGE COVER OF TERM LOAN FACILITIES</b>	<b>82%</b>	<b>91%</b>	<b>91%</b>	<b>96%</b>
Contracted capital commitments (incl. development accruals)	931 764	931 764	1 790 914	1 790 914
<b>TOTAL COMMITTED FUTURE CASH OUTFLOWS</b>	<b>11 175 133</b>	<b>9 932 336</b>	<b>9 056 083</b>	<b>8 619 257</b>
Hedge cover	8 432 943	8 216 690	6 589 067	6 589 067
Forward-starting interest rate hedges	600 000	600 000	1 492 028	1 492 028
<b>TOTAL HEDGE COVER</b>	<b>9 032 943</b>	<b>8 816 690</b>	<b>8 081 095</b>	<b>8 081 095</b>
<b>TOTAL EFFECTIVE INTEREST RATE RISK EXPOSURE HEDGED</b>	<b>81%</b>	<b>89%</b>	<b>89%</b>	<b>94%</b>

<sup>1</sup> During the year, the Group performed additional analysis to that previously presented and the comparatives have been represented accordingly.

##### 8.4.4.3 SENSITIVITY ANALYSIS TO INTEREST RATES

The Group has calculated the sensitivity of changes in interest rates on net profit assuming a 50 basis point parallel shift of the yield curve in either direction. As the main component of the movement in net profit for the year would arise from an accounting mismatch whereby derivatives are fair valued and the related financial liabilities are not, the Group has also outlined the impact of changes in interest rates on distributable earnings which it considers to be more appropriate. The sensitivity analysis includes the impact of interest rate hedging and it assumes that other macroeconomic factors remain unchanged.

R'000	GROUP			
	2022		2021	
	+50 BPS	-50BP	+50 BPS	-50BP
Distributable earnings	(14 430)	14 430	(6 363)	6 363
Net profit	20 260	(24 159)	51 448	(53 892)

## 9 FAIR VALUE MEASUREMENT

All assets and liabilities measured at fair value are classified using a three-tiered fair value hierarchy that reflects the significance of the inputs used in determining the measurement as follows:

**Level 1:** measurements in whole or in part are performed by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

**Level 2:** measurements are performed by reference to inputs other than quoted prices that are included in level 1. These inputs are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. from derived prices). Derivative financial instruments are measured with reference to observable market inputs (interest rates, yield curves, FX rates) based on mid-market levels.

**Level 3:** measurements are performed by reference to inputs that are not based on observable market data.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>ASSETS AT FAIR VALUE</b>		
<b>LEVEL 1</b>		
None	–	–
<b>LEVEL 2</b>		
Derivative financial assets (note 8.2.2)	165 283	27 420
Derivative financial liabilities (note 8.3.2)	(173 207)	(301 619)
<b>LEVEL 3</b>		
Non-financial assets at fair value – investment properties	25 517 606	19 308 326

Refer to the segment report in note 3 for a breakdown per asset class, distinguished by market risk.

There were no transfers between level 1, 2 or 3 during the year.

The below illustrates the sensitivity to key inputs in determining the valuation of investment property:

### SENSITIVITY ANALYSIS OF INCOME-PRODUCING INVESTMENT PROPERTY FAIR VALUES (EXCLUDING INVESTMENT PROPERTIES HELD FOR SALE) TO THE FOLLOWING:

R'000	EXIT CAPITALISATION RATES		DISCOUNT RATES		MARKET RENTALS		INCOME CAPITALISATION YIELDS <sup>1</sup>	
	Increase fair value	Decrease fair value	Increase fair value	Decrease fair value	Increase fair value	Decrease fair value	Increase fair value	Decrease fair value
<b>28 FEBRUARY 2022</b>								
	-0.1%	+0.1%	-0.1%	+0.1%	+5%	-5%	-0.5%	0.5%
SA Industrial	71 509	(91 269)	70 170	(94 470)	351 732	(356 771)	–	–
UK Industrial	–	–	–	–	–	–	1 184 399	(886 817)
<b>TOTAL</b>	<b>71 509</b>	<b>(91 269)</b>	<b>70 170</b>	<b>(94 470)</b>	<b>351 732</b>	<b>(356 771)</b>	<b>1 184 399</b>	<b>(886 817)</b>
<b>28 FEBRUARY 2021</b>								
	-0.1%	+0.1%	-0.1%	+0.1%	+5%	-5%	-0.5%	0.5%
SA Industrial	89 327	(87 097)	40 162	(39 961)	348 932	(348 932)	–	–
UK Industrial	51 316	(49 170)	13 047	(12 975)	117 583	(117 583)	345 221	(280 333)
<b>TOTAL</b>	<b>140 643</b>	<b>(136 267)</b>	<b>53 209</b>	<b>(52 936)</b>	<b>466 515</b>	<b>(466 515)</b>	<b>345 221</b>	<b>(280 333)</b>

<sup>1</sup> The sensitivities are based on those properties which were valued using the income capitalisation method

Due to significant yield compression in the UK logistics market over the last twelve months, the Group deems it reasonable to use a 50 bps range on the sensitivity analysis.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 10 CASH AND CASH EQUIVALENTS

#### ACCOUNTING POLICY

Cash comprises cash on hand and positive bank balances. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and not subject to a significant risk of a change in value.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>10.1 COMPOSITION OF CASH AND CASH EQUIVALENTS</b>		
Short-term deposits	465 633	—
Current accounts	90 745	602 379
Cash on call	13 765	9 937
	<b>570 143</b>	<b>612 316</b>

Cash and cash equivalents comprise amounts which are immediately available and the carrying amounts are equivalent to the fair values.

All cash and cash equivalents and derivative financial assets are held with reputable financial institutions. Cash balances are only retained for working capital requirements.

Refer to Note 8.2.2 for a credit analysis of cash and cash equivalents.

### 11 NON-CONTROLLING INTERESTS

#### ACCOUNTING POLICY

Non-controlling interest is disclosed in equity, separately from the equity of the owners of the parent. NCI is initially measured at the fair value of the consideration to acquire the minority interest in the subsidiary. Subsequently, the NCI's share of profit or loss and other comprehensive income is attributable to the NCI recognised in equity less any dividends paid to them.

#### CRITICAL ESTIMATES AND JUDGEMENTS - CONSOLIDATION OF STRUCTURED ENTITY

The Group assisted in the incorporation of The Michel Lanfranchi Foundation NPC ("MLF") which houses all the corporate social responsibility projects and initiatives of the Group. The main objective of MLF is to contribute to educational infrastructure at primary, secondary and tertiary education level, as well as to facilitate bursaries and scholarships to deserving individuals. Equites was instrumental in the formation of MLF and is currently the only source of donation income to the Foundation.

The Group has applied judgement in determining the treatment of the relationship with MLF. An IFRS 10 assessment has been performed to determine if the Group controls MLF and its subsidiaries. While the Group does not have influence over the board's decision making or operations of MLF, the board of MLF also serve as board members of Equites. The IFRS 10 assessment concluded that the Group should consolidate MLF and its subsidiary.

#### POWER OVER MLF

The relevant activities of the Foundation include the collection of donation fee income in order to fulfil its mandate of contributing to educational infrastructure at primary, secondary and tertiary education level, as well as to facilitate bursaries and scholarships to deserving individuals. At present, these activities are only made possible through the donations provided by Equites. The directors of MLF provide a budget to Equites at the beginning of each financial period which details the intended projects for the upcoming year. On an annual basis, the Equites board determines the amount it wishes to allocate to the Foundation and continually monitors the allocated budget against the actual spend.

#### RIGHT TO VARIABLE RETURNS

As MLF is an NPC, there are no variable returns as the intention is purely philanthropic.

#### ABILITY TO USE ITS POWER OVER MLF TO CONTROL THE AMOUNT OF RETURNS

As MLF is an NPC, there are no variable returns as the intention is purely philanthropic.

Through the above assessment it was concluded that MLF shall be consolidated by Equites in respect of its Group financial statements and there shall be no non-controlling interest at a Group level.



### **CRITICAL ESTIMATES AND JUDGEMENTS – CONSOLIDATION OF PLUMBAGO INVESTMENT PLATFORM (PTY) LTD (“PIP”)**

Equites and Eskom Pension and Provident Fund (“EPPF”) established a strategic venture in respect of a logistics campus let to DSV Solutions. To determine whether Equites exercises control over PIP, the Group carefully assessed the below IFRS10 considerations.

#### **POWER OVER PIP**

The business of the PIP group is broadly defined to include a number of activities of a property company, with the main relevant activity relating to the selecting, acquiring and disposing of property assets. As this vehicle has third-party debt, a relevant activity also includes the ability to select and structure the funding in the vehicle. Decisions about the relevant activities of PIP are made by the board. Through its majority stake, Equites is able to appoint one additional director and is therefore able to direct decisions over the relevant activities. The substantive rights inferred through its majority stake also include the ability to appoint key management personnel, the ability to enter into significant transactions and the ability to dominate the nomination of members to PIP’s board.

In the founding and operational agreements which govern PIP, EPPF has been granted a number of protective rights and the scope of PIP’s activities have been partially restricted, however, it is conclusive that Equites has the substantive right to direct the relevant activities of PIP such that it has power over PIP.

#### **RIGHT TO VARIABLE RETURNS**

Equites, as a holder of 51% of the equity in PIP, remains exposed to both downside risks and upside potential as a result of the broad scope of the business that PIP can conduct and through its ability to direct the activities that are undertaken by PIP.

#### **ABILITY TO USE ITS POWER OVER PIP TO CONTROL THE AMOUNT OF RETURNS**

Equites’ power over PIP gives Equites the ability to affect the amount of returns generated by PIP. As Equites actively manages the PIP group, Equites determines the amount of dividends to be declared by PIP.

Through the above assessment it was concluded that PIP shall be consolidated by Equites in respect of its consolidated financial statements and EPPF should be reflected as a 49% non-controlling interest at a Group level.

### **CRITICAL ESTIMATES AND JUDGEMENTS – CONSOLIDATION OF RETAIL LOGISTICS FUND (RF) (PTY) LTD**

Equites and Shoprite Checkers (Pty) Ltd established a strategic venture in respect of Shoprite’s distribution centres. Equites acquired a 50.1% stake in RLF on 4 November 2020, when the distribution centres transferred to RLF, with Shoprite holding the remaining 49.9%.

To determine whether Equites exercises control over RLF, the Group carefully assessed the below IFRS10 considerations.

#### **POWER OVER RLF**

The business of RLF is broadly defined to include a number of activities of a property company, with the main relevant activity relating to the selecting, acquiring and disposing of property assets and the related funding thereof. Decisions about the relevant activities of RLF are made by the board. Through its majority stake, Equites is able to appoint one additional director and is therefore able to direct decisions over the relevant activities. The substantive rights inferred through its majority stake also include the ability to appoint key management personnel, the ability to enter into significant transactions and the ability to dominate the nomination of members to RLF’s board.

In the founding and operational agreements which govern RLF, Shoprite has been granted a number of protective rights and the scope of RLF’s activities have been partially restricted, however, it is conclusive that Equites has the substantive right to direct the relevant activities of RLF such that it has power over RLF.

#### **RIGHT TO VARIABLE RETURNS**

Equites, as a holder of 50.1% of the equity in RLF, remains exposed to both downside risks and upside potential as a result of the broad scope of the business that RLF can conduct and through its ability to direct the activities that are undertaken by RLF.

#### **ABILITY TO USE ITS POWER OVER RLF TO CONTROL THE AMOUNT OF RETURNS**

Equites’ power over RLF gives Equites the ability to affect the amount of returns generated by RLF. As Equites actively manages RLF, Equites determines the amount of dividends to be declared by RLF.

Through the above assessment it was concluded that RLF shall be consolidated by Equites in respect of its consolidated financial statements and Shoprite should be reflected as a 49.9% non-controlling interest at a Group level.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 11 NON-CONTROLLING INTERESTS CONTINUED

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
The NCI represents the following:		
<ul style="list-style-type: none"> <li>■ 100% of the net asset value of MLF, and its subsidiary</li> <li>■ 40% of the net asset value of Equites Newlands Group Ltd, and its subsidiaries</li> <li>■ 49.9% of the net asset value of RLF. RLF became part of the Group in the prior year</li> <li>■ 49% of the net asset value of PIP, and its subsidiary. EPPF acquired a non-controlling interest in PIP during the year</li> </ul>		
<b>NON-CONTROLLING INTEREST RECONCILIATION</b>		
Opening balance	2 166 757	40 434
Transactions with non-controlling interest <sup>1</sup>	22 264	—
Acquired interest in net asset value <sup>2</sup>	703 150	2 043 760
Share of profit for the year (note 11.1)	323 759	82 552
Share of other comprehensive income for the year	1 749	11
Dividend declared	(157 807)	—
<b>CLOSING BALANCE</b>	<b>3 059 872</b>	<b>2 166 757</b>
1 Relates to additional shares issued by ENGL		
2 Relates to the 49% interest held by EPPF in PIP in the current year and the 49.9% interest held by Shoprite in RLF in the prior year		
<b>11.1 SHARE OF PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTEREST INCLUDES THE FOLLOWING:</b>		
Fair value adjustment – investment property	8 221	9 553
Fair value adjustment – derivatives	(4 011)	—
Straight-lining of leases adjustment	80 918	26 632
Net development profit	80 848	—

## 11.2 SUMMARISED STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2022

R'000	EQUITES NEWLANDS GROUP LIMITED	PLUMBAGO INVESTMENT PLATFORM PROPRIETARY LIMITED GROUP	RETAIL LOGISTICS FUND (RF) PROPRIETARY LIMITED	THE MICHEL LANFRANCHI FOUNDATION NPC GROUP
	100%	100%	100%	100%
<b>SUMMARISED STATEMENT OF FINANCIAL POSITION</b>				
Non-current assets	–	2 072 973	4 370 646	174 075
Current assets	2 005 520	21 129	154 010	7 498
<b>TOTAL ASSETS</b>	<b>2 005 520</b>	<b>2 094 102</b>	<b>4 524 656</b>	<b>181 573</b>
Non-current liabilities	–	637 890	–	149 269
Current liabilities	1 860 334	12 922	9 754	840
<b>TOTAL LIABILITIES</b>	<b>1 860 334</b>	<b>650 812</b>	<b>9 754</b>	<b>150 109</b>
<b>NET ASSET VALUE</b>	<b>145 186</b>	<b>1 443 290</b>	<b>4 514 902</b>	<b>31 464</b>
<b>ACCUMULATED NON-CONTROLLING INTEREST</b>	<b>58 074</b>	<b>707 212</b>	<b>2 252 936</b>	<b>41 649</b>
<b>SUMMARISED STATEMENT OF COMPREHENSIVE INCOME</b>				
Gross property revenue	–	23 867	491 438	19 803
Net development income	253 503	–	–	–
Current tax expense	(48 778)	–	–	–
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>202 121</b>	<b>8 290</b>	<b>487 587</b>	<b>(4 456)</b>
<b>PROFIT ALLOCATED TO NON-CONTROLLING INTEREST</b>	<b>80 847</b>	<b>4 062</b>	<b>243 306</b>	<b>(4 456)</b>
<b>TOTAL COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST</b>	<b>82 596</b>	<b>4 062</b>	<b>243 306</b>	<b>(4 456)</b>
<b>DIVIDEND PAID TO NON-CONTROLLING INTEREST</b>	<b>(44 529)</b>	<b>–</b>	<b>(113 278)</b>	<b>–</b>
<b>SUMMARISED STATEMENT OF CASH FLOWS</b>				
Cash flows from operating activities	(268 229)	22 160	(12 138)	3 245
Cash flows from investing activities	–	(1 151)	(301)	(117)
Cash flows from financing activities	281 501	(308)	–	–
Effect of exchange rate movements	8 904	–	–	–
<b>NET CASH MOVEMENT</b>	<b>22 176</b>	<b>20 701</b>	<b>(12 439)</b>	<b>3 128</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 11 NON-CONTROLLING INTERESTS CONTINUED

#### 11.2 SUMMARISED STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

	EQUITES NEWLANDS GROUP LIMITED	RETAIL LOGISTICS FUND (RF) PROPRIETARY LIMITED	THE MICHEL LANFRANCHI FOUNDATION GROUP
	100%	100%	100%
<b>SUMMARISED STATEMENT OF FINANCIAL POSITION</b>			
Non-current assets	–	4 173 342	183 050
Current assets	1 332 249	103 004	4 955
<b>TOTAL ASSETS</b>	<b>1 332 249</b>	<b>4 276 346</b>	<b>188 005</b>
Non-current liabilities	994 204	–	149 269
Current liabilities	343 691	22 020	3 434
<b>TOTAL LIABILITIES</b>	<b>1 337 895</b>	<b>22 020</b>	<b>152 703</b>
<b>NET ASSET VALUE</b>	<b>(5 646)</b>	<b>4 254 326</b>	<b>35 302</b>
<b>ACCUMULATED NON-CONTROLLING INTEREST</b>	<b>(2 258)</b>	<b>2 122 909</b>	<b>46 104</b>
<b>SUMMARISED STATEMENT OF PROFIT AND LOSS</b>			
Gross property revenue	187	158 850	18 689
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>(4 769)</b>	<b>158 615</b>	<b>5 310</b>
<b>PROFIT ALLOCATED TO NON-CONTROLLING INTEREST</b>	<b>(1 908)</b>	<b>79 149</b>	<b>5 310</b>
<b>TOTAL COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST</b>	<b>(1 897)</b>	<b>79 149</b>	<b>5 310</b>
<b>DIVIDEND PAID TO NON-CONTROLLING INTEREST</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>SUMMARISED STATEMENT OF CASH FLOWS</b>			
Cash flows from operating activities	(341 122)	20 255	2 375
Cash flows from investing activities	–	(867 412)	(31)
Cash flows from financing activities	358 572	859 951	–
Effect of exchange rate movements	(249)	–	–
<b>NET CASH MOVEMENT</b>	<b>17 201</b>	<b>12 794</b>	<b>2 344</b>

## 12 TRADE AND OTHER RECEIVABLES

### ACCOUNTING POLICY

#### TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised at trade date at fair value and subsequently at amortised cost. Trade receivables are amounts due from tenants for contractual lease charges and recoveries and are classified as current assets unless recovery is expected more than 12 months from the reporting date.

#### IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST

The Group recognises a loss allowance for expected credit losses on trade and other receivables which are financial assets. The amount of expected credit losses is updated at each reporting date. The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECLs), which represents the expected credit losses that will result from all possible default events over the expected life of the financial asset.

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date. The loss allowance is calculated on a collective basis for trade and other receivables in totality. Details of the provision matrix are presented below.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in the credit loss allowance.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
Gross trade receivables (tenants)	67 678	19 798
Deferred rent receivables	3 105	21 938
Loss allowance (note 12.3)	(2 948)	(1 141)
<b>NET TENANT RECEIVABLES</b>	<b>67 835</b>	<b>40 595</b>
Municipal deposits	16 896	15 437
Supplier development loan (note 12.4)	10 455	10 715
VAT receivable	—	60 265
Prepaid expenses	14 391	6 350
Sundry debtors	57 028	34 557
Government grant receivable	—	62 252
Current tax receivable	—	3 894
Accrued income	25 659	44 887
Creditors with debit balances	13 489	3 477
Other receivables	17 443	3 271
	<b>223 196</b>	<b>285 700</b>
<b>CLASSIFICATION OF TRADE AND OTHER RECEIVABLES</b>		
The Group's trade and other receivables have been classified as follows:		
Financial instruments at amortised cost	208 805	215 192
Non-financial instruments	14 391	70 508
	<b>223 196</b>	<b>285 700</b>

We have assessed the impact of expected credit losses on receivables (excluding tenant receivables) recognised at amortised cost. We deem the impact to be immaterial as these were received shortly after year end.

The fair value of trade and other receivables approximates the carrying amounts due to short-term nature.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 12 TRADE AND OTHER RECEIVABLES CONTINUED

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>12.1 CREDIT QUALITY OF TRADE RECEIVABLES</b>		
The credit quality of trade receivables is evaluated with reference to available financial information and history with the Group and can be categorised into the following groups:		
A - Large multinational companies, large listed companies and government organisations	61 248	15 956
B - Smaller multinational and national tenants	1 212	—
C - Other local tenants and sole proprietors	5 218	3 842
	<b>67 678</b>	<b>19 798</b>

The maximum exposure to credit risk for trade and other receivables are the carrying values.

#### 12.2 AGEING OF TRADE RECEIVABLES

R'000	TRADE RECEIVABLES		DEFERRED RENT	
	2022	2021	2022	2021
The ageing of trade receivables as at year end was as follows:				
Current	29 629	15 065	3 105	19 946
1 - 30 days past due	16 661	1 997	—	791
31 - 60 days past due	1 422	826	—	565
61 - 90 days past due	14 289	691	—	414
91 days past due or more	5 677	1 219	—	222
<b>TOTAL</b>	<b>67 678</b>	<b>19 798</b>	<b>3 105</b>	<b>21 938</b>

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>MATURITY PROFILE OF DEFERRED RENT ARRANGEMENTS</b>		
As a result of the COVID-19 global pandemic, R35 million of rental deferrals were granted in SA and £326k (R7 million) in the UK during the prior financial year. Of these deferrals, R3.1 million remain outstanding in SA.		
The expected repayment of outstanding deferred rent is profiled as follows:		
within one year	1 505	18 064
within two years	1 176	1 872
within three years	180	1 465
within four years	95	234
beyond four years	149	303
<b>TOTAL DEFERRED RENT ARRANGEMENTS</b>	<b>3 105</b>	<b>21 938</b>

### 12.3 EXPECTED CREDIT LOSS ALLOWANCE

#### TRADE RECEIVABLES

The Group's historical credit loss experience does not show significantly different loss patterns within the Group's operating segments. The provision for credit losses is therefore predominantly based on past due status without disaggregating into further risk profiles.

#### DEFERRED RENT

The Group has allowed for credit losses on these deferred rent arrangements in line with the current expected credit loss rates.

The expected credit loss allowance provision is determined as follows.

	EXPECTED CREDIT LOSS RATE		TRADE RECEIVABLES (R'000)		DEFERRED RENT (R'000)	
	2022	2021	2022	2021	2022	2021
Current	0.08%	0.09%	—	19	—	20
1 – 30 days past due	9.79%	10.02%	320	200	—	79
31 – 60 days past due	10.87%	10.62%	144	88	—	60
61 – 90 days past due	27.70%	25.89%	716	179	—	107
91 days or more past due	30.16%	27.01%	1 768	329	—	60
<b>TOTAL</b>			<b>2 948</b>	<b>815</b>	<b>—</b>	<b>326</b>

#### RECONCILIATION OF LOSS ALLOWANCE

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables.

	TRADE RECEIVABLES (R'000)		DEFERRED RENT (R'000)	
	2022	2021	2022	2021
Opening balance	815	326	326	—
Provision raised	2 133	575	—	326
Remeasurement of loss allowance	—	(99)	—	—
Provisions reversed	—	12	(326)	—
Foreign exchange	—	1	—	—
<b>CLOSING BALANCE</b>	<b>2 948</b>	<b>815</b>	<b>—</b>	<b>326</b>

Trade receivables to the extent of R126k (2021: R92k) have been written off during the year.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>12.4 SUPPLIER DEVELOPMENT LOAN</b>		
Damon at Sons Construction (Pty) Ltd	10 455	10 715

These amounts were advanced to one of our suppliers as part of our supplier development programme and are unsecured, do not bear interest and have no fixed terms of repayment.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 13 STATED CAPITAL

#### ACCOUNTING POLICY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>13.1 AUTHORISED SHARES</b>		
2 000 000 000 (two billion) ordinary shares, of the same class and no par value.		
<b>13.2 ISSUED SHARES</b>		
776 573 375 (2021: 628 715 583) ordinary shares, of the same class and no par value.	12 170 853	9 337 288
The unissued shares are under the control of the directors (subject to limitations set by shareholders' resolutions) until the next annual general meeting.		
<b>13.3 RECONCILIATION OF ISSUED SHARES - VALUE</b>		
Opening balance	9 337 288	8 046 457
Shares issued in respect of conditional share plan <sup>1</sup>	12 270	12 997
Shares issued for cash in accelerated book build <sup>2</sup>	2 000 000	800 000
Shares issued in respect of share-based payment transactions	180 000	56 296
Shares issued in terms of dividend reinvestment programme	653 736	427 414
Share issue costs	(12 441)	(5 876)
<b>CLOSING BALANCE</b>	<b>12 170 853</b>	<b>9 337 288</b>
<b>13.4 RECONCILIATION OF ISSUED SHARES - NUMBER</b>		
<b>NUMBER OF SHARES</b>		
<b>OPENING BALANCE</b>	628 715 583	554 441 246
Shares issued in respect of conditional share plan <sup>1</sup>	655 324	813 821
Shares issued for cash in accelerated book build <sup>2</sup>	103 517 185	42 780 748
Shares issued in respect of share-based payment transactions	9 310 756	3 379 130
Shares issued in terms of dividend reinvestment programme	34 374 527	27 300 638
<b>CLOSING BALANCE</b>	<b>776 573 375</b>	<b>628 715 583</b>

<sup>1</sup> 655 324 shares issued in at R18.72 (2021: 813 821 shares issued at R15.97)

<sup>2</sup> 55 555 555 shares issued at R18.00 per share under the general authority to issue shares for cash on 15 July 2021 and 47 961 630 shares issued at R20.85 per share under the general authority to issue shares for cash on 25 February 2022. (2021: 42 780 748 shares issued at R18.70 per share under the general authority to issue shares for cash on 3 March 2020)



R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>14 SHARE-BASED PAYMENT RESERVE</b>		
Conditional share plan (note 14.1)	29 390	15 953
Acquisition of land (note 14.2)	—	180 000
	<b>29 390</b>	<b>195 953</b>

**ACCOUNTING POLICY**

For equity-settled share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The Group operates a conditional share plan, which is classified as an equity-settled share-based payment plan, under which it receives services from employees as consideration for equity instruments of the Group. Executive directors and all employees are beneficiaries under the scheme. The fair value of the employee services received in exchange for the grant of shares is recognised as an expense on a straight-line basis over the vesting period, with a corresponding adjustment to the share-based payment reserve.

The total amount expensed to profit or loss is determined by reference to the fair value rights to equity instruments granted, including any market performance conditions and excluding the impact of any non-market performance vesting conditions. Non-market performance vesting conditions are included in assumptions regarding the number of shares granted that are expected to vest. At the end of each reporting period, the Group revises its estimates of the number of shares granted that are expected to vest and recognises the impact of any changes in profit or loss with a corresponding adjustment to equity.

The effect of all conditional shares granted is taken into account when calculating diluted earnings and diluted headline earnings per share.

**14.1 CONDITIONAL SHARE PLAN**

In terms of its conditional share plan, the Group has granted conditional shares to executive directors and staff.

Long-term incentive awards are granted annually in the form of conditional shares in Equites. The total quantum of shares (at face value) awarded for the year was set as 85% of TGP for the CEO and 80% of TGP for the COO and CFO based on the 30-day VWAP on the date of the award. All awards are subject to performance conditions and require the participant to be employed by the Group until the 31st May following the end of the 3-year performance period.

The full details of the scheme are included in the remuneration report.

The CSP awards have been recognised as equity-settled share-based payments as a separate category within equity. The fair value of the conditional share plan charge has been measured using the Black-Scholes formula. The following assumptions were incorporated in the valuation:

ASSUMPTIONS	AWARD GRANTED IN FEB 2019	AWARD GRANTED IN FEB 2020	AWARD GRANTED IN FEB 2021	AWARD GRANTED IN FEB 2022
Closing number of unvested instruments – Directors	678 363	768 691	1 449 505	1 263 941
Closing number of unvested instruments – Other	115 261	235 568	270 236	595 249
Weighted average fair value of instruments at measurement date	16 951 816	21 450 967	36 733 678	39 712 289
Grant date	21 February 2019	20 February 2020	20 February 2021	20 February 2022
Vesting date	31 May 2024	31 May 2025	31 May 2026	31 May 2027
Issue price (30 day VWAP)	R20.34	R19.04	R18.31	R21.36
Forfeiture rate – conditional share plan	5.0%	5.0%	5.0%	5.0%
Forfeiture rate – matching shares	5.0%	5.0%	5.0%	10.0%
Dividend yield	7.5%	9.5%	10.0%	10.0%
Performance condition factor	100.0%	196.9%	100.0%	164.4%

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 14 SHARE-BASED PAYMENT RESERVE CONTINUED

#### 14.1 CONDITIONAL SHARE PLAN CONTINUED

The number of shares allocated to Directors in terms of the award scheme are:

	2021	GRANTED	LAPSED	VESTED	2022	IFRS 2 CHARGE R'000	FAIR VALUE OF SHARES GRANTED R'000
Andrea Taverna-Turisan	1 444 885	548 516	(46 733)	(337 765)	1 608 903	3 263	11 716
Gerhard Riaan Gous	1 022 355	394 701	(32 633)	(235 859)	1 148 564	2 303	8 431
Laila Razack	429 318	320 723	(3 084)	(22 289)	724 669	760	6 851
	<b>2 896 559</b>	<b>1 263 940</b>	<b>(82 450)</b>	<b>(595 913)</b>	<b>3 482 136</b>	<b>6 326</b>	<b>26 998</b>

	2020	GRANTED	LAPSED	VESTED	2021	IFRS 2 CHARGE R'000	FAIR VALUE OF SHARES GRANTED R'000
Andrea Taverna-Turisan	1 181 847	629 046	(46 492)	(319 516)	1 444 885	3 803	11 486
Gerhard Riaan Gous	825 287	452 649	(32 465)	(223 116)	1 022 355	2 737	8 265
Laila Razack	85 190	367 810	(3 008)	(20 673)	429 319	2 224	6 716
	<b>2 092 324</b>	<b>1 449 505</b>	<b>(81 965)</b>	<b>(563 305)</b>	<b>2 896 559</b>	<b>8 764</b>	<b>26 467</b>

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price since listing. The expected forfeiture rate has been based on historical experience and general employee behaviour. On an annual basis, assumptions are adjusted with the availability of objective evidence. Where these result in changes in the non-market conditions of the scheme, the cumulative impact is charged to profit and loss in the year the adjustment is made.

After 3 years from grant date the participant may elect to defer the vesting of the applicable tranche of shares by a further 24 months. This election will result in the award being increased on a 3-for-1 basis (i.e. by 33.3%). The only further vesting condition will be for the participant to remain in the Group's employment for these 24 months. Should the employee leave within the 24 month period, the shares vest immediately, however, the employee forfeits the matching shares.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>OPENING BALANCE</b>	15 953	13 200
Expense recognised in profit or loss	25 707	15 750
Shares issued during current year <sup>1</sup>	(12 270)	(12 997)
<b>CLOSING BALANCE</b>	<b>29 390</b>	<b>15 953</b>

<sup>1</sup> Issued shares are subject to a 2 year restriction as detailed above.

#### 14.2 ACQUISITION OF LAND

As part of the original purchase agreement for land acquired from Witfontein X28 Ontwikkeling (Pty) Ltd (the "Seller"), the Seller was required to implement certain service conditions, in relation to land zoning and services for industrial use. The balance of the purchase price was payable on completion of satisfactory planning. The balance of the purchase price was settled in a fixed value of the company's shares which was issued on 30 April 2021. (2021: During FY18, land was acquired from the Lord Trust, for a purchase consideration which was settled partly in cash and partly in a fixed value of the company's shares to be issued at a future date. The quantum of this transaction was R56.2 million which was settled through the issue of 3 379 130 shares on 1 August 2020.)

R'000	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>15 DEFERRED TAX ASSET AND LIABILITY</b>		
Deferred tax asset	162 765	120 031
Deferred tax liability	(441 194)	(59 388)
	<b>( 278 429)</b>	<b>60 643</b>
<b>DEFERRED TAX ASSET/(LIABILITY)</b>		
Capital allowances	162 765	99 586
Tax losses	47 209	51 857
Fair value adjustment	(485 820)	(90 534)
Structures and buildings allowances	(2 583)	(266)
	<b>(278 429)</b>	<b>60 643</b>
<b>RECONCILIATION OF DEFERRED TAX ASSET/(LIABILITY)</b>		
<b>OPENING BALANCE</b>	60 643	159 870
Investment property – allowances recognised and utilised	27 342	(8 313)
Tax losses recognised and utilised	(12 803)	30 438
Fair value adjustment	(275 663)	(91 847)
Released in respect of property disposals	–	(31 530)
Change in tax rate	(71 653)	(6 908)
Foreign exchange movement	(6 295)	8 933
<b>CLOSING BALANCE</b>	<b>(278 429)</b>	<b>60 643</b>
Assessed losses for which no deferred tax asset is recognised	<b>140 157</b>	<b>140 157</b>

#### SOUTH AFRICA

The Group is a REIT as defined by section 25BB of the South African Income Tax Act which allows a deduction of the qualifying distribution to shareholders, limited to taxable income. To the extent that no tax will become payable in future as a result of section 25BB, no deferred tax was recognised on assessed losses and items such as IFRS accounting adjustments. Deferred tax is not recognised on the fair value adjustment of investment properties as capital gains tax is not applicable in terms of section 25BB. In addition, section 25BB does not allow for allowances relating to immovable property. Allowances granted in prior years, before becoming a REIT must be recouped in the year the immovable property is sold. A deferred tax liability will be recognised on the recoupment to the extent it will result in a tax liability after the qualifying distribution deduction.

#### UNITED KINGDOM

A deferred tax asset has been recognised on tax losses to the extent that there are future taxable profits against which it can be offset. Recognised tax losses relate to tax obligations to Her Majesty's Revenue and Customs under Corporations Tax. Deferred tax assets are recognised on capital allowances to be granted in future years. A deferred tax liability is recognised on Structures and Buildings allowances utilised to be recouped through sale and fair value adjustments of investment property as these are to be recovered entirely through sale.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 16 TRADE AND OTHER PAYABLES

#### ACCOUNTING POLICY

##### TRADE AND OTHER PAYABLES

Trade and other payables are classified as financial liabilities where they meet the definition of a financial liability. These are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after year end.

Lease liabilities are initially measured at the present value of the future lease payments discounted using the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments and variable payments dependent on an index or a rate, initially measured using the index or rate as at the lease commencement date. It is remeasured when there is a change in the future lease cash flows arising from a change in the Group's assessment of whether it will exercise an extension or termination option or where variable payments become fixed.

#### CRITICAL ESTIMATES AND JUDGEMENTS - MEASUREMENT OF LEASE LIABILITY

Equites pays land rental in Waterfall, Gauteng when the buildings are subleased. In determining the lease liability for the Waterfall leases, Equites looks to the lease term and lease payments of the underlying sub-lease agreement, in calculating the amount that will form part of the right-of-use asset and lease liability of the head lease agreement, as this portion has been determined to be in substance fixed.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
Trade payables and accruals	269 188	323 045
Rent received in advance	91 238	90 688
Tenant deposits	27 032	28 648
Shareholders for dividends	73	34
Lease liabilities	38 636	27 274
Deferred payments	175 985	178 764
IFRS 2 liability	8 334	6 473
VAT payable	158	–
Other payables	2 928	2 982
	<b>613 572</b>	<b>657 909</b>
Current	572 364	629 404
Non-current	41 208	28 505
	<b>613 572</b>	<b>657 909</b>
<b>CLASSIFICATION OF TRADE AND OTHER PAYABLES</b>		
The Group's trade and other payables have been classified as follows:		
Financial instruments at amortised cost	513 842	560 748
Non-financial instruments	99 730	97 161
	<b>613 572</b>	<b>657 909</b>

Refer to Note 8.3 for liquidity risk disclosure for trade and other payables.

The fair value of trade and other payables approximates the carrying amounts.

## 17 PROPERTY, PLANT AND EQUIPMENT

### ACCOUNTING POLICY

Property, plant and equipment are tangible assets held by the Group for administrative and operational purposes and are expected to be used during more than one period. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. The historical cost includes all expenditure that is directly attributable to the acquisition of the asset and is depreciated on a straight-line basis, from the date it is available for use, at rates appropriate to the various classes of assets involved, taking into account the estimated useful life and residual values of the individual items, as follows:

■ Computer equipment	3 years
■ Equipment	6 years
■ Furniture and fittings	6 years
■ Right-of-use asset	20 years
■ Buildings	20 years
■ Land	n/a

The Group determines the estimated useful lives, residual values and the related depreciation charges at acquisition and these are reviewed at each statement of financial position date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other costs, including repairs and maintenance, are expensed as incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal or scrapping of property, plant and equipment, being the difference between the net proceeds on disposal or scrapping and the carrying amount, are recognised in profit or loss.

### IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets are reviewed for indicators of impairment at each reporting date. Where such indicators exist, the assets recoverable amount is estimated.

Where the carrying value of an asset exceeds its estimated recoverable amount, the carrying value is impaired and the asset is written down to its recoverable amount. The recoverable amount is calculated as the higher of the asset's fair value less cost to sell and the value in use. These calculations are prepared based on management's assumptions and estimates such as forecasted cash flows, management budgets and financial outlook. For the purpose of impairment testing the assets are allocated to cash-generating units. Cash-generating units are the lowest levels for which separately identifiable cash flows can be determined.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset has decreased or no longer exists and recognises a reversal of an impairment loss. Impairment losses are only reversed to the extent that they do not increase an asset's carrying value above the carrying value it would have been if no impairment loss had been recognised.

Impairment losses and reversals are recognised in profit or loss.

### LEASES

The Group is a party to a lease in respect of its Cape Town office, situated in the Portside building.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured at the initial amount of the lease liability adjusted for any lease payments made in advance, plus any initial direct costs incurred less any lease incentives received. A right-of-use asset in relation to leased offices is recognised as Property, Plant and Equipment.

It is remeasured when there is a change in the future lease cash flows arising from a change in the Group's assessment of whether it will exercise an extension or termination option or where variable payments become fixed. Where the finance lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the underlying right-of-use asset.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 17 PROPERTY, PLANT AND EQUIPMENT CONTINUED

#### CRITICAL ESTIMATES AND JUDGEMENTS - LEASE TERM

Where the Group recognises a lease liability and corresponding right-of-use asset, consideration is given around the extension options of the lease, in terms of IFRS 16. An evaluation of the facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option on the remaining lease term, is performed. These include an assessment of the potential business disruption by not extending and the unrecoverable costs or penalties incurred to extend or terminate the contract. The Group concluded that the lease liabilities and right-of-use assets are appropriately accounted for based on the lease term and that any significant changes or circumstances in the current year to this assessment have been accounted for.

R'000	GROUP						TOTAL
	FURNITURE AND FITTINGS	EQUIPMENT	COMPUTER EQUIPMENT	BUILDINGS	LAND	RIGHT-OF- USE ASSET	
<b>AT 29 FEBRUARY 2020</b>							
Cost	6 244	–	787	3 920	1 551	6 545	19 047
Accumulated depreciation	(2 217)	–	(516)	(588)	–	(327)	(3 648)
<b>CARRYING VALUE</b>	<b>4 027</b>	<b>–</b>	<b>271</b>	<b>3 332</b>	<b>1 551</b>	<b>6 218</b>	<b>15 399</b>
<b>FOR THE YEAR ENDED 28 FEBRUARY 2021</b>							
Opening carrying value	4 027	–	271	3 332	1 551	6 218	15 399
Additions	1 502	17	893	–	–	–	2 412
Right-of-use asset remeasurement	–	–	–	–	–	1 977	1 977
Depreciation charge for the year	(994)	(2)	(267)	(196)	–	(410)	(1 869)
<b>CLOSING CARRYING VALUE</b>	<b>4 535</b>	<b>15</b>	<b>897</b>	<b>3 136</b>	<b>1 551</b>	<b>7 785</b>	<b>17 919</b>
<b>AT 28 FEBRUARY 2021</b>							
Cost	7 746	17	1 680	3 920	1 551	8 522	23 436
Accumulated depreciation	(3 211)	(2)	(783)	(784)	–	(737)	(5 517)
<b>CARRYING VALUE</b>	<b>4 535</b>	<b>15</b>	<b>897</b>	<b>3 136</b>	<b>1 551</b>	<b>7 785</b>	<b>17 919</b>
<b>FOR THE YEAR ENDED 28 FEBRUARY 2022</b>							
Opening carrying value	4 535	15	897	3 136	1 551	7 785	17 919
Additions	227	610	714	4	–	–	1 555
Transfers	609	–	(609)	–	–	–	–
Right-of-use asset remeasurement	–	–	–	–	–	–	–
Depreciation charge for the year	(1 692)	(73)	(294)	(196)	–	(1 133)	(3 388)
<b>CLOSING CARRYING VALUE</b>	<b>3 679</b>	<b>552</b>	<b>708</b>	<b>2 944</b>	<b>1 551</b>	<b>6 652</b>	<b>16 086</b>
<b>AT 28 FEBRUARY 2022</b>							
Cost	7 981	625	1 290	3 924	1 551	8 522	23 893
Accumulated depreciation	(4 302)	(73)	(582)	(980)	–	(1 870)	(7 807)
<b>CARRYING VALUE</b>	<b>3 679</b>	<b>552</b>	<b>708</b>	<b>2 944</b>	<b>1 551</b>	<b>6 652</b>	<b>16 086</b>

## 18 REVENUE

### ACCOUNTING POLICY

Revenue comprises the following:

- Contractual rental income
- Tenant recoveries
- Property management fees

Contractual rental income from operating leases are recognised on a straight-line basis over the term of the lease taking into account fixed escalations. Lease incentives are recognised, on a straight-line basis, as a reduction of rental income over the lease period.

Tenant recoveries are levied monthly in arrears as a result of the Group recovering costs of providing the tenant with services as determined by the lease agreement. The Group negotiates the terms of the service, manages the relationship with the suppliers and is liable for payment (even if the property is vacant or the expense is not recovered from the tenant), and therefore maintains primary responsibility for providing the service. The Group acts as a principal on its own account when recovering operating costs from tenants. For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. These recoveries are variable and dependent on the cost / actual usage of the service provided.

Revenue is measured at the transaction price agreed under the contract. For arrangements that include deferred payment terms that exceed 12 months, the Group adjusts the transaction price for the financing component, with the impact recognised as interest income using the effective interest rate method over the period of the financing.

Property management fees are fixed in terms of the lease agreement and levied monthly in advance in order to cover the costs of managing the property operationally, drafting contractual agreements, managing municipal accounts and all other elements of the property as defined in the agreement.

Rental income received in advance is recognised as a current liability as part of trade and other payables in the statement of financial position.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
Property revenue (note 18.1)	1 505 103	1 137 336
Straight-line lease rental adjustment	182 468	48 044
	<b>1 687 571</b>	<b>1 185 380</b>
<b>18.1 PROPERTY REVENUE</b>		
Property revenue	1 241 912	970 404
Tenant recoveries (note 18.3)	261 747	165 622
Property management fee	1 444	1 310
	<b>1 505 103</b>	<b>1 137 336</b>
<b>18.2 TENANTS COMPRISING &gt;10% OF PROPERTY REVENUE</b>		
Shoprite Checkers (Pty) Ltd	22.4%	9.8%
DSV Healthcare (Pty) Ltd	8.4%	10.0%
Both these tenants are included in the SA Industrial segment.		
Refer to note 32 for revenue disaggregation by sector, location and tenant grade		
<b>18.3 TENANT RECOVERIES</b>		
IFRS 16 variable recoveries	110 617	80 621
IFRS 15 tenant recoveries <sup>1</sup>	151 130	85 001
	<b>261 747</b>	<b>165 622</b>
<b>PROPERTY OPERATING AND MANAGEMENT EXPENSES</b>		
Recoverable expenses	233 599	149 492
Non-recoverable expenses	6 819	8 814
	<b>240 418</b>	<b>158 306</b>

<sup>1</sup> The frequency and value of these recoveries are not detailed in the lease agreements as they are based on actual expenses incurred and therefore fall within the scope of IFRS 15.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>19 OTHER NET GAINS AND LOSSES</b>		
Income from foreign exchange derivative instruments	158 124	138 845
Fair value adjustment on foreign exchange derivative instruments	43 491	(35 922)
Insurance recoveries	121	12
(Loss)/profit on sale of subsidiary companies (note 19.1)	(237)	31 913
Loss on sale of investment property	(15 710)	–
Profit on sale of property, plant and equipment	4	–
Foreign exchange loss	(36 647)	(9 280)
Sundry income	6 061	1 379
Sundry income – capital in nature (non-distributable)	–	394
	<b>155 207</b>	<b>127 341</b>
<b>19.1 (LOSS)/PROFIT ON SALE OF SUBSIDIARY COMPANIES<sup>1</sup></b>		
(Loss)/profit on sale of subsidiary companies	(237)	91 792
Reclassification of FCTR	–	(59 879)
	<b>(237)</b>	<b>31 913</b>
<b>20 EXPENSES BY NATURE</b>		
<b>COMPOSITION OF PROPERTY MANAGEMENT AND ADMINISTRATIVE EXPENSES</b>		
Employee benefits (note 20.1)	55 613	37 627
Operating and administrative expenses (note 20.2)	262 844	182 368
<b>TOTAL PROPERTY MANAGEMENT AND ADMINISTRATIVE EXPENSES</b>	<b>318 457</b>	<b>219 994</b>

<sup>1</sup> The Group disposed of its investment in Nascispan (Pty) Ltd in the current year and Equites UK SPV 2 Ltd and Equites UK SPV 3 Ltd in the prior year

### ACCOUNTING POLICY

#### LOW VALUE LEASED ASSETS

Printing rentals for office printers is recognised in other operating expenses and has been separately disclosed below. The Group has applied the exemption in IFRS 16 for these assets and a lease liability and right of use asset has not been recognised for these assets.

#### SHORT-TERM EMPLOYEE BENEFITS

Wages, salaries, paid annual leave and other costs of short-term employee benefits are recognised as employee benefit expense in profit or loss in the period in which the services are rendered.

#### SHORT-TERM BONUSES

The Group recognises an expense in profit or loss and accrues for short-term bonuses in the statement of financial position where such payments can be contractually determined or where past practice has created a constructive obligation.



**GROUP**

R'000	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>20.1 EMPLOYEE BENEFITS</b>		
Salary costs	31 914	22 726
Executive director and public officer's emoluments (note 20.4)	24 307	15 366
Non-executive directors' emoluments (note 20.3)	4 748	2 841
Share-based payment expense (note 14.1)	27 568	11 752
Non-recurring settlements relating to terminations	–	11 026
Capitalised to investment property	(32 924)	(26 084)
	<b>55 613</b>	<b>37 627</b>
<b>20.2 OPERATING AND ADMINISTRATIVE EXPENSES</b>		
Property taxes and utility expenses	227 816	140 138
Property operational costs	12 602	22 960
Insurance costs	13 371	12 536
Audit fees	5 154	3 727
Non-audit fees	756	861
Bad debts	126	41
Loss allowance	1 807	815
Depreciation of property, plant and equipment (non-distributable)	3 388	1 868
Marketing expense	1 857	938
Professional, secretarial and other administrative expenses	38 264	32 967
Rental expense <sup>1</sup>	1 770	151
Other operating expenses	12 205	4 962
Overheads capitalised to investment property	(56 272)	(39 596)
	<b>262 844</b>	<b>182 368</b>
<b>20.3 NON-EXECUTIVE DIRECTORS' EMOLUMENTS</b>		
The following fees were paid to non-executive directors for their services as directors:		
<b>DIRECTOR (R'000)</b>		
Leon Campher	907	573
André Gouws	390	212
Cindy Hess	175	–
Doug Murray	303	–
Eunice Cross	477	283
Giancarlo Lanfranchi (retired 27 July 2021)	143	270
Keabetswe Ntuli	340	207
Kevin Dreyer (retired 27 July 2021)	114	212
Mustaq Brey	573	362
Nazeem Khan	584	383
Ndabezinhle Mkhize	162	–
Ruth Benjamin-Swales	580	339
	<b>4 748</b>	<b>2 841</b>

<sup>1</sup> Rental expense relates to leases of low-value assets that are not shown as a right-of-use asset, under IFRS 16

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 20 EXPENSES BY NATURE CONTINUED

#### 20.4 EXECUTIVE DIRECTOR AND PUBLIC OFFICER'S EMOLUMENTS REMUNERATION PAID TO EXECUTIVE DIRECTORS COMPRISED:

DIRECTOR (R'000)	SALARY	BENEFITS	PERFORMANCE BONUS	TOTAL	DIVIDEND EQUIVALENT ON EOS	VALUE OF EQUITY SETTLED SHARE BASED PAYMENT INCENTIVES GRANTED <sup>1</sup>	TOTAL
<b>2022</b>							
Andrea Taverna-Turisan	4 876	22	5 851	<b>10 749</b>	1 350	3 263	<b>15 362</b>
Gerhard Riaan Gous	3 728	22	3 728	<b>7 478</b>	1 016	2 303	<b>10 797</b>
Laila Razack	3 029	22	3 029	<b>6 080</b>	345	760	<b>7 185</b>
	<b>11 633</b>	<b>66</b>	<b>12 608</b>	<b>24 307</b>	<b>2 711</b>	<b>6 326</b>	<b>33 344</b>

<sup>1</sup> Further detail relating to share based payments is included in note 14.1

<b>2021</b>							
Andrea Taverna-Turisan	3 634	9	4 162	<b>7 805</b>	1 265	3 803	<b>12 873</b>
Gerhard Riaan Gous	2 697	9	2 576	<b>5 282</b>	938	2 737	<b>8 957</b>
Laila Razack	1 899	20	360	<b>2 279</b>	319	2 224	<b>4 822</b>
	<b>8 230</b>	<b>38</b>	<b>7 098</b>	<b>15 366</b>	<b>2 522</b>	<b>8 764</b>	<b>26 652</b>

### GROUP

R'000	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>21 FINANCE COSTS</b>		
Interest expense on borrowings	324 743	245 182
Interest on lease liabilities	2 279	2 364
Finance costs relating to interest rate derivatives	94 192	68 378
Fair value movement on interest rate derivatives	(145 888)	194 079
Interest on utility accounts and other	389	133
Borrowing costs capitalised to investment and trading property <sup>1</sup>	(307 709)	(223 128)
	<b>(31 994)</b>	<b>287 008</b>

<sup>1</sup> The capitalisation rate applied during the year was 7.0% (2021: 7.6%) in relation to general borrowings and 2.5% (2021: 2.7%) in relation to specific borrowings.

#### RECONCILIATION OF FINANCE COSTS EXPENSE TO FINANCE COSTS PAID

Interest accrued opening balance	5 980	29 457
Finance costs	(31 994)	287 008
Interest rate derivative settlement	(13 167)	5 394
Fair value movement on interest rate derivatives	145 888	(194 079)
Interest on lease liabilities	(2 279)	(2 364)
Loan fee amortisation	(13 451)	(23 537)
Loan fees paid	15 042	14 562
Borrowing costs capitalised to trading property	47 451	—
Interest accrued closing balance	(53 663)	(5 980)
<b>FINANCE COSTS PAID DURING THE YEAR</b>	<b>99 807</b>	<b>110 461</b>

## 22 FINANCE INCOME

### ACCOUNTING POLICY

Finance income comprises interest earned on positive bank balances, short-term investments and on overdue accounts. Interest is recognised in profit or loss using the effective interest rate method.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
Interest received from tenants	894	650
Interest received on financial assets at fair value	9 113	281
Interest received on call and current account balances	4 014	16 436
	<b>14 021</b>	<b>17 367</b>

## 23 CURRENT AND DEFERRED TAX EXPENSE

### ACCOUNTING POLICY

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position. Deferred income tax is recognised, using the liability method, for calculated income tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

### SOUTH AFRICAN TAX LAWS

The income tax expense for the period comprises current and deferred income tax and is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it will also be recognised in other comprehensive income or directly in equity as applicable. The Group is a REIT and all subsidiaries in the Group are "controlled companies" (as defined in the Income Tax Act). The Group applies judgement in determining what income sources constitute "rental income" as defined by section 25BB of the Income Tax Act. After deducting "qualifying distributions" from taxable income, no income tax is payable in the current year.

On 23 February 2022, The Minister of Finance announced that the Corporate tax rate will decrease from 28% to 27% for years of assessments commencing on or after 1 April 2022. The Minister has indicated that this will be done alongside a broadening of the corporate income tax base by limiting interest deductions and assessed losses. This has no impact on the current financial statements as Equites has sufficient qualifying distributions to deduct against taxable income resulting in no tax expense. In addition, Equites does not recognise any deferred tax in relation to its SA operations.

### UNITED KINGDOM TAX LAWS

Income tax expense for the period is in accordance with HMRC Corporations Tax and is calculated as 19% of taxable income.

In the Spring Budget 2021, the UK government announced an increase in the Corporations Tax main rate from 19% to 25% with effect from 1 April 2023. The impact of this announcement on the current financial statements is that deferred tax assets on capital allowances and tax losses are recognised at the rate at which these are expected to be utilised and deferred tax liabilities are recognised on Structures and Buildings allowances and fair value adjustments at the rate at which these are expected to be recouped.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

	<b>GROUP</b>	
	<b>28 FEBRUARY 2022</b>	<b>28 FEBRUARY 2021</b>
<b>R'000</b>		
<b>23 CURRENT AND DEFERRED TAX EXPENSE CONTINUED</b>		
<b>TAX EXPENSE</b>		
Current tax	50 032	–
Deferred tax	332 777	108 160
	<b>382 809</b>	<b>108 160</b>
<b>162 RECONCILIATION BETWEEN APPLICABLE TAX RATE AND EFFECTIVE TAX RATE<sup>1</sup></b>		
Profit before tax	2 739 229	598 211
Income tax at 28%	766 984	167 499
Amounts not subject to tax <sup>1</sup> :		
Fair value adjustment – investment property	246 133	198 317
Fair value adjustment – derivative financial instruments	(55 318)	64 400
Straight-lining of leases adjustment	(48 049)	(13 452)
Loss / (profit) on sale of non-current assets	8 220	(8 936)
IFRS 2 adjustments	7 719	3 291
Depreciation	894	523
Amounts not included in profit before tax <sup>1</sup> :		
Interest capitalised	(86 159)	(62 476)
Overheads capitalised	(15 756)	(11 087)
Salaries capitalised	(9 219)	(7 304)
Donations	274	251
Items of a capital nature	(464)	(8 618)
Wear and tear allowances	(576)	(431)
PBO Exemption	(875)	(1 533)
UK Capital allowances	(90 512)	56 286
UK Tax losses recognised	5 572	(32 246)
Other <sup>1</sup>	(3 660)	71 928
Foreign tax differential	(137 405)	(51 233)
Qualifying S25BB REIT distribution	(204 994)	(257 022)
<b>TAX EXPENSE</b>	<b>382 809</b>	<b>108 160</b>
Effective tax rate	14.0%	18.1%
<b>24 NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>24.1 CASH GENERATED FROM OPERATIONS</b>		
Profit before tax	2 739 229	598 211
Adjusted for:		
Finance costs	(31 994)	287 008
Finance income	(14 021)	(17 367)
Loss/(profit) on disposals	15 943	(31 913)
Foreign exchange differences	36 647	9 280
Straight-lining of leases adjustment	(182 468)	(48 044)
Fair value adjustments – investment property	(1 168 317)	224 874
Fair value adjustments – derivative instruments	(43 491)	35 922
Depreciation and amortisation	7 023	4 457
IFRS 2 share based payment charge	27 568	11 752
Working capital movements:		
Increase in trading properties	(156 566)	(109 161)
Decrease/(increase) in trade and other receivables	251	(89 813)
Increase in derivative instruments	(215 759)	(165 092)
(Decrease)/increase in trade and other payables	(69 196)	229 345
<b>CASH GENERATED FROM OPERATIONS</b>	<b>944 849</b>	<b>939 460</b>

<sup>1</sup> During the year, the Group further expanded on the "Accounting adjustments – IFRS" and "Accounting adjustments – Fair Value" as previously presented and the comparatives have been represented accordingly.

R'000	GROUP	
	28 FEBRUARY 2022	28 FEBRUARY 2021
<b>24.2 CASH PAID IN RESPECT OF INVESTMENT PROPERTY ACQUIRED</b>		
Investment property acquired	2 912 300	4 158 223
Movements in respect of share-based payment transactions	—	(180 000)
Non-controlling interest acquired	(703 150)	(2 043 760)
	<b>2 209 150</b>	<b>1 934 463</b>
<b>24.3 CASH RECEIVED IN RESPECT OF DISPOSALS OF INVESTMENT PROPERTY AND SUBSIDIARIES</b>		
Net (loss)/profit on disposal (note 19)	(15 947)	31 913
Investment property disposed (note 4.1)	100 363	863 638
Held for sale property disposed (note 4.2)	21 982	—
Loans settled by purchaser	—	(388 196)
Other net assets disposed	3 417	(54 641)
Disposal related fees	(5 152)	15 005
Foreign exchange difference on disposal	—	58 352
<b>NET PROCEEDS ON DISPOSAL OF INVESTMENT PROPERTY AND SUBSIDIARY COMPANIES</b>	<b>104 663</b>	<b>526 071</b>
<b>24.4 INVESTMENTS AND DIVESTMENTS OF CURRENT FINANCIAL ASSETS</b>		
Opening balance	—	648
Investments	1 823 000	1 614 000
Proceeds from divestments	(1 823 000)	(1 629 992)
Interest accrued	—	15 344
<b>CLOSING BALANCE</b>	<b>—</b>	<b>—</b>
<b>24.5 DIVIDENDS DISTRIBUTED TO SHAREHOLDERS</b>		
Dividends distributed to parent	(1 070 236)	(919 690)
Dividend distributed to non-controlling interest	(157 807)	—
<b>TOTAL DIVIDEND PAID</b>	<b>(1 228 043)</b>	<b>(919 690)</b>
<b>25 CAPITAL COMMITMENTS</b>		
Authorised and contracted for acquisition or construction of new industrial properties	931 764	1 790 914
Authorised but not contracted	474 489	380 024
	<b>1 406 253</b>	<b>2 170 938</b>
<b>26 RELATED PARTIES</b>		
Related party relationships exist between the Company, its subsidiaries, directors, and key management of the Group. Refer to the Director's Report for a list of all subsidiaries and structured entities consolidated. The Group subscribed to 51% of the shares of PIP during the year under review (2021: The Group acquired 50.1% of the net asset value in RLF during 2021). Refer to note 11.		
Remuneration paid to directors is set out in note 20.		
Details of the conditional share plan in which the directors participate are provided in note 14.		
Details of directors' interest in the ordinary shares of the Group are provided in the Directors Report.		
In the ordinary course of business, the Group entered into the following other transactions with related parties:		
Dividend paid to related party shareholders	52 013	134 013
Insurance premiums paid to Commsure Financial Solutions (indirectly owned by Cindy Hess' spouse)	13 011	9 415
Fees paid to BTKM (Pty) Ltd (in which Nazeem Khan is a director)	1 945	955
Fees paid to Automotion (Pty) Ltd (in which Kevin Dreyer is a director) <sup>1</sup>	13	9
	<b>66 982</b>	<b>144 392</b>

<sup>1</sup> Kevin Dreyer retired as a director, effective 27 July 2021, and therefore Automotion ceased to be a related party during the year. The amount disclosed for the current year relates to charges prior to his retirement.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 27 SUBSEQUENT EVENTS

#### 27.1 DIVIDENDS DECLARED AFTER YEAR END

A dividend of 84.61177 cents per share was declared on 3 May 2022.

#### 27.2 BASINGSTOKE DISPOSAL

Equites, through its subsidiary Equites Newlands (Basingstoke) Ltd ("ENBL"), a direct subsidiary of ENGL, has concluded a land sale agreement and Infrastructure works agreement in relation to Plot 1, Basingstoke. ENBL will sell the undeveloped land to an international retailer for a purchase consideration of £81m (R1.6bn); and implement certain infrastructure, landscaping and other works on the plot at a total cost of £38m (R729.6m). The land sale is expected to conclude in the last quarter of FY23, subject to the fulfilment of all conditions.

This land is currently recognised as trading property in note 5.

### 28 CONTINGENT LIABILITIES

A claim for £15.5m was lodged during the financial year against a subsidiary and certain individual Newlands directors in respect of damages allegedly caused by the diversion of a business opportunity. Liability has been denied and the claim is being defended with litigation being in an early stage. The matter is ongoing and it is too early to estimate the value of any potential liability.

### 29 IMPACT OF RUSSIAN INVASION OF UKRAINE ON OPERATIONS

The 2022 Russian invasion of Ukraine has had no impact on our global operations.

### 30 GOING CONCERN

Based on an assessment of the Group's current cashflow forecast, its operational environment, geographical diversity and industry trends, the Group believes it will remain both solvent and liquid for the next 12 months, and intends to pay out at least 75% of distributable income. The Directors believe, based on their assessment of the Group's financial performance and financial position there is no reasonable material uncertainties about the entity's ability to continue as a going concern for the next 12 months. The Directors remain committed to maintaining its REIT status over the next financial period.

### 31 SEPARATE ANNUAL FINANCIAL STATEMENTS

Separate statutory annual financial statements for Equites Property Fund Ltd in accordance with International Financial Reporting Standards and the requirements of the Companies Act have been prepared and issued as separate financial statements. Please refer to these financial statements for the company balances, transactions, and disclosures. These have been issued separately for ease of reference purposes. The separate annual financial statements will be available on the Company's website.

## 32 PROPERTY ANALYSIS

### 32.1 PROPERTY SCHEDULE<sup>1</sup>

PROPERTY NAME	LOCATION	COUNTRY	GROSS LETTABLE AREA (M <sup>2</sup> )	AVERAGE RENTAL PER M <sup>2</sup> (RAND)	VALUE (R'000)	DATE OF LAST EXTERNAL VALUATION
<b>LOGISTICS PROPERTIES</b>						
Plumbago Campus	Witfontein, Gauteng	SA	144 213	Note 1	2 051 000	28 Feb 2022
Centurion	Centurion, Gauteng	SA	169 966	Note 1	1 465 000	28 Feb 2022
Brackenfell 2	Brackenfell, Western Cape	SA	140 048	Note 1	1 218 727	28 Feb 2022
Peterborough Gateway 3	Peterborough	UK	13 318	Note 1	1 084 895	28 Feb 2022
Scimitar Way	Coventry	UK	19 880	Note 1	1 064 191	28 Feb 2022
Dodwells Road	Hinckley	UK	27 725	Note 1	945 142	28 Feb 2022
Peterborough Gateway 1	Peterborough	UK	28 124	Note 1	842 657	28 Feb 2022
Equites Park – Meadowview 8	Meadowview, Gauteng	SA	42 601	Note 1	822 000	28 Feb 2022
Super G	Wakefield	UK	24 340	Note 1	821 953	28 Feb 2022
Island Road West	Reading	UK	11 027	Note 1	760 406	28 Feb 2022
Brackenfell 1	Brackenfell, Western Cape	SA	109 568	Note 1	728 402	28 Feb 2022
Germiston 1	Germiston, Gauteng	SA	40 428	Note 1	484 500	28 Feb 2022
Peterborough Gateway 2	Peterborough	UK	12 608	Note 1	405 705	28 Feb 2022
Longmeadow	Longmeadow, Gauteng	SA	37 834	Note 1	388 000	28 Feb 2022
Equites Park – Meadowview 18	Meadowview, Gauteng	SA	28 527	Note 1	348 150	28 Feb 2022
The Hub – Unit 3	Burgess Hill	UK	4 961	Note 1	340 582	28 Feb 2022
The Hub – Unit 1	Burgess Hill	UK	3 985	Note 1	334 432	28 Feb 2022
Total Park	Leeds	UK	5 432	Note 1	324 786	28 Feb 2022
Equites Park Riverfields 1	Witfontein, Gauteng	SA	22 377	Note 1	317 000	28 Feb 2022
Parc Felindre	Swansea	UK	5 500	Note 1	284 681	28 Feb 2022
New Germany	New Germany, KwaZulu-Natal	SA	28 383	Note 1	264 527	28 Feb 2022
Waterfall 22B	Waterfall, Gauteng	SA	21 043	Note 1	261 290	28 Feb 2022
Equites Park – Meadowview 19B	Meadowview, Gauteng	SA	23 235	Note 1	257 001	28 Feb 2022
Equites Park – Lords View 1	Lords View, Gauteng	SA	22 100	Note 1	246 000	28 Feb 2022
Waterfall 8C <sup>2</sup>	Waterfall, Gauteng	SA	25 017	Note 1	245 016	28 Feb 2022
Equites Park – Meadowview 19A	Meadowview, Gauteng	SA	21 448	Note 1	239 000	28 Feb 2022
Equites Park – Atlantic Hills 1	Atlantic Hills, Western Cape	SA	17 607	Note 1	229 013	28 Feb 2022
Equites Park – Meadowview 11	Meadowview, Gauteng	SA	14 159	Note 1	219 500	28 Feb 2022
Equites Park – Riverfields 2	Witfontein, Gauteng	SA	17 894	Note 1	203 886	28 Feb 2022
Waterfall 22D <sup>2</sup>	Waterfall, Gauteng	SA	18 969	Note 1	203 498	28 Feb 2022
Waterfall 8A	Waterfall, Gauteng	SA	12 638	Note 1	201 918	28 Feb 2022
Equites Park – Lords View 4	Lords View, Gauteng	SA	15 155	Note 1	185 892	28 Feb 2022
Waterfall 9B	Waterfall, Gauteng	SA	6 650	Note 1	167 459	28 Feb 2022
Philippi 1	Philippi, Western Cape	SA	15 798	Note 1	148 791	28 Feb 2022
Waterfall 9D	Waterfall, Gauteng	SA	8 087	Note 1	137 416	28 Feb 2022
Equites Park – Meadowview 3	Meadowview, Gauteng	SA	10 470	Note 1	132 318	28 Feb 2022
Waterfall 8B	Waterfall, Gauteng	SA	8 690	Note 1	125 163	28 Feb 2022
Equites Park – Belville 2	Bellville, Western Cape	SA	9 861	Note 1	123 200	28 Feb 2022
Germiston 2	Germiston, Gauteng	SA	13 802	Note 1	118 379	28 Feb 2022
Waterfall 22C	Waterfall, Gauteng	SA	5 027	Note 1	98 963	28 Feb 2022
Airport Industria 1	Airport Industria, Western Cape	SA	9 388	Note 1	94 324	28 Feb 2022
Parow Industria 1	Parow, Western Cape	SA	10 308	Note 1	92 708	28 Feb 2022
Equites Park – Lords View 2	Lords View, Gauteng	SA	11 366	Note 1	91 829	28 Feb 2022
Parow Industria 3	Parow, Western Cape	SA	10 226	Note 1	89 500	28 Feb 2022
Epping Industria	Epping, Western Cape	SA	8 177	Note 1	83 590	28 Feb 2022
Equites Park – Meadowview 7	Meadowview, Gauteng	SA	8 230	Note 1	76 313	28 Feb 2022
Parow Industria 2	Parow, Western Cape	SA	7 930	Note 1	71 883	28 Feb 2022
Equites Park – Meadowview 6	Meadowview, Gauteng	SA	6 205	Note 1	69 700	28 Feb 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 32 PROPERTY ANALYSIS CONTINUED

#### 32.1 PROPERTY SCHEDULE<sup>1</sup> CONTINUED

PROPERTY NAME	LOCATION	COUNTRY	GROSS LETTABLE AREA (M <sup>2</sup> )	AVERAGE RENTAL PER M <sup>2</sup> (RAND)	VALUE (R'000)	DATE OF LAST EXTERNAL VALUATION
<b>LOGISTICS PROPERTIES CONTINUED</b>						
Waterfall 9A	Waterfall, Gauteng	SA	3 963	Note 1	67 627	28 Feb 2022
Equites Park – Belville 3	Bellville, Western Cape	SA	5 983	Note 1	66 000	28 Feb 2022
Equites Park – Atlantic Hills 2	Atlantic Hills, Western Cape	SA	4 874	Note 1	65 825	28 Feb 2022
Waterfall 9C	Waterfall, Gauteng	SA	3 219	Note 1	65 447	28 Feb 2022
Airport Industria 2	Airport Industria, Western Cape	SA	5 660	Note 1	63 512	28 Feb 2022
Philippi 2	Philippi, Western Cape	SA	8 089	Note 1	63 150	28 Feb 2022
Equites Park – Meadowview 4	Meadowview, Gauteng	SA	5 000	Note 1	61 000	28 Feb 2022
Equites Park – Atlantic Hills 5	Atlantic Hills, Western Cape	SA	5 844	Note 1	59 739	28 Feb 2022
Waterfall 22A	Waterfall, Gauteng	SA	4 666	Note 1	52 342	28 Feb 2022
Equites Park – Atlantic Hills 3	Atlantic Hills, Western Cape	SA	4 200	Note 1	49 472	28 Feb 2022
Airport Industria 3	Airport Industria, Western Cape	SA	4 855	Note 1	41 862	28 Feb 2022
Equites Park – Atlantic Hills 4	Atlantic Hills, Western Cape	SA	3 200	Note 1	35 949	28 Feb 2022
Equites Park – Meadowview 2	Meadowview, Gauteng	SA	3 280	Note 1	28 910	28 Feb 2022
<b>TOTAL LOGISTICS PROPERTIES</b>			<b>1 343 158</b>	<b>85.1</b>	<b>20 231 121</b>	
<b>NON-LOGISTICS PROPERTIES</b>						
<b>INDUSTRIAL</b>						
Equites Park – Belville 1	Bellville, Western Cape	SA	5 239	Note 1	142 300	28 Feb 2022
Airport Industria 7	Airport Industria, Western Cape	SA	5 549	Note 1	74 300	28 Feb 2022
Equites Park – Saxdowne 1	Blackheath, Western Cape	SA	4 066	Note 1	67 500	28 Feb 2022
Canelands	Canelands, KwaZulu-Natal	SA	2 697	Note 1	48 389	28 Feb 2022
Equites Park – Saxdowne 2	Blackheath, Western Cape	SA	1 895	Note 1	32 776	28 Feb 2022
Equites Park – Meadowview 16	Meadowview, Gauteng	SA	1 117	Note 1	18 500	28 Feb 2022
Equites Park – Meadowview Cell Tower 11	Meadowview, Gauteng	SA	81	Note 1	1 201	Note 2
Equites Park – Meadowview Cell Tower 12	Meadowview, Gauteng	SA	98	Note 1	1 140	Note 2
<b>TOTAL NON-LOGISTIC PROPERTIES</b>			<b>20 742</b>	<b>176.9</b>	<b>386 106</b>	
<b>TOTAL INCOME EARNING PROPERTIES</b>			<b>1 363 900</b>	<b>86.5</b>	<b>20 617 227</b>	

<sup>1</sup> Excludes properties that are held for sale as at 28 February 2022

<sup>2</sup> 50% ownership

Note 1: The rental per m<sup>2</sup> for single-tenanted buildings has not been disclosed.

Note 2: These properties are not part of our core portfolio, but rather cell towers on our existing sites. Due to their size and the nature of the its structure, these are not externally valued by the Group.



PROPERTY NAME	LOCATION	COUNTRY	VALUE (R'000)
<b>PROPERTIES UNDER DEVELOPMENT</b>			
Hoyland Common	Hoyland	UK	1 783 385
Equites Park – Riverfields 4	Witfontein, Gauteng	SA	219 836
Equites Park – Jet Park 1	Jet Park, Gauteng	SA	155 234
Equites Park – Lords View 3	Lords View, Gauteng	SA	137 385
Waterfall 9E <sup>2</sup>	Waterfall, Gauteng	SA	98 183
Equites Park – Meadowview 12	Meadowview, Gauteng	SA	85 565
Equites Park – Lords View 1 (expansion)	Lords View, Gauteng	SA	85 466
Equites Park – Lords View 5	Lords View, Gauteng	SA	64 627
Equites Park – Saxdowne	Blackheath, Western Cape	SA	52 253
<b>TOTAL PROPERTIES UNDER DEVELOPMENT</b>			<b>2 681 934</b>
<b>VACANT LAND</b>			
<b>ZONED INDUSTRIAL LAND</b>			
Gauteng	Witfontein, Meadowview, Lords view	SA	652 039
Western Cape	Brackenfell, Parow	SA	151 659
<b>TOTAL ZONED INDUSTRIAL LAND</b>			<b>803 698</b>
<b>STRATEGIC LAND HOLDINGS</b>			
United Kingdom	Peterborough, Northampton	UK	1 091 013
Gauteng	Witfontein, Meadowview	SA	318 463
<b>TOTAL STRATEGICALLY HELD LAND</b>			<b>1 409 476</b>
<b>TOTAL LAND HOLDINGS</b>			<b>2 213 174</b>
<b>TOTAL PROPERTIES, DEVELOPMENTS AND VACANT LAND</b>			<b>25 512 335</b>

<sup>2</sup> 50% ownership

## 32.2 TENANT PROFILE

	REVENUE (R'000)	REVENUE (%)	GROSS LETTABLE AREA (M <sup>2</sup> )	GROSS LETTABLE AREA (%)	NUMBER OF TENANTS	NUMBER OF TENANTS %
A – Large nationals, large listed companies and government	1 463 645	97.2%	1 339 102	98.2%	72	93.5%
B – Smaller international and national tenants	27 924	1.9%	9 540	0.7%	2	2.6%
C – Other local tenants and sole proprietors	13 534	0.9%	5 768	0.4%	3	3.9%
Vacant lettable properties	–	–	9 490	0.7%	–	–
	<b>1 505 103</b>	<b>100.0%</b>	<b>1 363 900</b>	<b>100.0%</b>	<b>77</b>	<b>100.0%</b>

## 32.3 SECTORAL PROFILE (INCLUDING VACANCY PROFILE)

	REVENUE (R'000)	REVENUE (%)	GROSS LETTABLE AREA (M <sup>2</sup> )	GROSS LETTABLE AREA %	VACANCY AREA (M <sup>2</sup> )	VACANCY (%)
Logistics	1 452 376	96.5%	1 343 158	98.5%	9 490	0.7%
Industrial	48 887	3.2%	20 742	1.5%	–	–
Office	3 840	0.3%	–	–	–	–
	<b>1 505 103</b>	<b>100.0%</b>	<b>1 363 900</b>	<b>100.0%</b>	<b>9 490</b>	<b>0.7%</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### 32 PROPERTY ANALYSIS CONTINUED

#### 32.4 GEOGRAPHICAL PROFILE

	REVENUE (R'000)	REVENUE (%)	GROSS LETTABLE AREA (M <sup>2</sup> )	GROSS LETTABLE AREA %
Gauteng	810 309	53.8%	777 555	57.0%
Western Cape	396 012	26.3%	398 366	29.2%
KwaZulu-Natal	35 547	2.4%	31 079	2.3%
United Kingdom	263 235	17.5%	156 900	11.5%
	<b>1 505 103</b>	<b>100.0%</b>	<b>1 363 900</b>	<b>100.0%</b>

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#### 32.5 LEASE EXPIRY PROFILE

LEASE EXPIRY PROFILE BASED ON GROSS LETTABLE AREA	LOGISTICS	INDUSTRIAL	TOTAL
Vacant	0.1%	–	0.1%
Expiry in the year to 28 February 2023	4.9%	–	4.8%
Expiry in the year to 29 February 2024	5.5%	–	5.4%
Expiry in the year to 28 February 2025	4.9%	52.5%	5.6%
Expiry in the year to 28 February 2026	5.2%	0.0%	5.2%
Expiry in the year to 28 February 2027	3.9%	19.6%	4.1%
Thereafter	75.5%	27.9%	74.8%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

LEASE EXPIRY PROFILE BASED ON REVENUE	LOGISTICS	INDUSTRIAL	TOTAL
Expiry in the year to 28 February 2023	5.6%	0.0%	5.4%
Expiry in the year to 29 February 2024	7.7%	0.0%	7.7%
Expiry in the year to 28 February 2025	8.2%	66.4%	10.0%
Expiry in the year to 28 February 2026	7.6%	0.0%	7.4%
Expiry in the year to 28 February 2027	3.4%	11.1%	3.7%
Thereafter	67.5%	22.5%	65.8%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

#### 32.6 WEIGHTED AVERAGE ESCALATIONS, LEASE EXPIRY AND INITIAL YIELD

SECTOR	YIELD (%) <sup>3</sup>	LEASE EXPIRY (YEARS) <sup>4</sup>	ESCALATION (%) <sup>5</sup>
South Africa – Logistics	8.3	13.8	6.6
South Africa – Industrial	12.3	10.7	7.3
		<b>13.7</b>	<b>6.6</b>
United Kingdom – Logistics <sup>2</sup>	4.0	13.6	n/a
<b>AVERAGE ANNUALISED PORTFOLIO</b>		<b>13.7</b>	

<sup>2</sup> Majority of the leases for properties in the UK are structured with five year annual rent reviews and not fixed annual escalations

<sup>3</sup> Based on property valuation

<sup>4</sup> Based on revenue

<sup>5</sup> Based on gross lettable area

# APPENDIX 1

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

## DISTRIBUTABLE EARNINGS

### DISTRIBUTABLE EARNINGS POLICY

The Group has established strict guidelines regarding its distribution policy to ensure that the distributable earnings is a fair reflection of sustainable earnings; this comprises property related income net of property related expenditure, interest expense and administrative costs.

The principles encompassed in the calculation below are largely aligned with the best practice recommendations established by the SA REIT Association published in 2016 and the guidelines further developed in the revised best practice recommendations which were published in November 2019.

As distributable earnings is a measure of core earnings, the company has adjusted for the following key items in the determination of this metric:

- certain non-cash and accounting adjustments;
- gains or losses on the disposal of assets and the associated tax treatment;
- certain foreign exchange and hedging items;
- net profit arising from land sale and turnkey developments;
- antecedent earnings adjustment.

The specific adjustments are detailed in the statement of distributable earnings presented below. All of these adjustments are derived from the face of the income statement presented and the notes accompanying these financial statements.

## DISTRIBUTABLE EARNINGS

R'000	GROUP	
	UNAUDITED 28 FEBRUARY 2022	UNAUDITED 28 FEBRUARY 2021
<b>PROFIT FOR THE YEAR (ATTRIBUTABLE TO OWNERS OF THE PARENT)</b>	2 032 661	407 499
<i>Adjusted for:</i>		
Fair value adjustments to investment properties	(1 168 317)	224 874
Less: Fair value adjustment to investment properties (NCI)	8 221	9 553
Profit or loss on sale of non-current assets	15 943	(31 913)
<b>HEADLINE EARNINGS</b>	<b>888 508</b>	<b>610 013</b>
<i>Adjusted for:</i>		
Straight-lining of leases adjustment	(182 468)	(48 044)
Fair value adjustments to derivative financial assets and liabilities	(189 379)	230 001
Share-based payment expense	27 568	11 752
Capital items (non-distributable)	40 035	15 341
Deferred taxation	332 777	108 160
Net development profit (non-distributable)	51 382	—
Non-controlling interest	157 755	26 632
Antecedent dividend <sup>1</sup>	139 561	20 618
<b>DISTRIBUTABLE EARNINGS</b>	<b>1 265 739</b>	<b>974 473</b>

### <sup>1</sup> Antecedent dividend

In the determination of distributable earnings, an adjustment is made where equity capital is raised during the financial year to avoid diluting the returns of existing shareholders prior to the share issue. During the reporting period, the Group issued the majority of the shares pursuant to the accelerated bookbuilds on 15 July 2021 and 25 February 2022 and the two dividend reinvestment programmes in May and October 2021 which gave rise to antecedent earnings included above.

## APPENDIX 1 CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### DISTRIBUTABLE EARNINGS CONTINUED

	<b>GROUP</b>	
	<b>28 FEBRUARY 2022</b>	<b>28 FEBRUARY 2021</b>
<b>THE FOLLOWING INPUTS IMPACTED THE ANTECEDENT EARNINGS ADJUSTMENT:</b>	<b>NUMBER OF SHARES</b>	<b>NUMBER OF SHARES</b>
Opening balance – shares in issue	628 715 573	554 441 236
Increase in shares in issue as a result of accelerated bookbuild	103 517 195	42 780 748
Dividend reinvestment programmes	34 374 527	27 300 638
Shares issued in terms of conditional share plan	655 324	813 821
Share issue in respect of property acquisition	9 310 756	3 379 130
<b>CLOSING BALANCE – SHARES IN ISSUE</b>	<b>776 573 375</b>	<b>628 715 573</b>
<b>DIVIDENDS DECLARED AND DISTRIBUTION PER SHARE</b>	<b>CENTS PER SHARE</b>	<b>R'000</b>
<b>TOTAL DISTRIBUTION FOR THE YEAR – 2022</b>		
Interim dividend declared on 30 September 2021 (Dividend number 16)	78.38	556 250
Final dividend declared on 3 May 2022 (Dividend number 17)	84.61	709 489
<b>TOTAL DISTRIBUTION FOR THE YEAR ENDED 28 FEBRUARY 2022</b>	<b>162.99</b>	<b>1 265 739</b>
<b>TOTAL DISTRIBUTION FOR THE YEAR – 2021</b>	<b>CENTS PER SHARE</b>	<b>R'000</b>
Interim dividend declared on 12 October 2020 (Dividend number 14)	74.44	457 572
Final dividend declared on 3 May 2021 (Dividend number 15)	80.56	516 901
<b>TOTAL DISTRIBUTION FOR THE YEAR ENDED 28 FEBRUARY 2021</b>	<b>155.00</b>	<b>974 473</b>

## APPENDIX 2

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### SA REIT BPR

R'000	GROUP	
	UNAUDITED 28 FEBRUARY 2022	UNAUDITED 28 FEBRUARY 2021
<b>SA REIT FUNDS FROM OPERATIONS (SA REIT FFO) PER SHARE</b>		
<b>PROFIT FOR THE YEAR (ATTRIBUTABLE TO OWNERS OF THE PARENT)</b>	<b>2 032 661</b>	<b>407 499</b>
Adjusted for:		
Accounting/specific adjustments:	(1 014 620)	286 858
Fair value adjustments to:		
■ Investment property	(1 168 317)	224 874
■ Debt and equity instruments held at fair value through profit or loss		
Depreciation and amortisation	3 388	1 868
Deferred tax movement recognised in profit or loss	332 777	108 160
Straight-lining operating lease adjustment	(182 468)	(48 044)
Adjustments arising from investing activities:	15 943	(31 913)
Loss/(gain) on disposal of:		
■ Investment property and property, plant and equipment	15 706	–
■ Subsidiaries	237	(31 913)
Foreign exchange and hedging items:	(152 732)	239 281
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	(189 379)	230 001
Foreign exchange losses relating to capital items – realised and unrealised	36 647	9 280
Other adjustments:	305 537	56 803
Non-controlling interests in respect of the above adjustments	165 976	36 185
Antecedent earnings adjustment	139 561	20 618
<b>SA REIT FFO:</b>	<b>1 186 789</b>	<b>958 529</b>
Number of shares outstanding at end of period (net of treasury shares)	776 573 375	628 715 573
<b>SA REIT FFO PER SHARE (CENTS):</b>	<b>152.82</b>	<b>152.46</b>
Company-specific adjustments per share (cents)	10.17	2.54
Payroll costs incurred of a capital nature	–	0.68
Equity settled share based payment charge	3.55	1.87
Net development profit (non-distributable)	6.62	–
Sundry income of a capital nature	–	(0.01)
<b>DISTRIBUTABLE EARNINGS PER SHARE (CENTS)</b>	<b>162.99</b>	<b>155.00</b>
<b>SA REIT NET ASSET VALUE (SA REIT NAV)</b>		
Reported NAV attributable to the parent	<b>14 451 714</b>	<b>10 843 183</b>
Adjustments:		
Dividend to be declared	(709 489)	(516 901)
Fair value of certain derivative financial instruments	21 898	202 721
Deferred tax	278 429	(60 643)
<b>SA REIT NAV:</b>	<b>14 042 552</b>	<b>10 468 360</b>
<b>SHARES OUTSTANDING</b>		
Number of shares in issue at period end (net of treasury shares)	776 573 375	628 715 573
Effect of dilutive instruments	5 376 814	9 803 834
<b>DILUTIVE NUMBER OF SHARES IN ISSUE</b>	<b>781 950 189</b>	<b>638 519 407</b>
<b>SA REIT NAV PER SHARE (RAND):</b>	<b>17.96</b>	<b>16.39</b>

## APPENDIX 2 CONTINUED

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### SA REIT BPR CONTINUED

R'000	GROUP	
	UNAUDITED 28 FEBRUARY 2022	UNAUDITED 28 FEBRUARY 2021
<b>SA REIT COST-TO-INCOME RATIO</b>		
<b>EXPENSES</b>		
Operating expenses per IFRS income statement (includes municipal expenses)	240 418	163 098
Administrative expenses per IFRS income statement	78 039	56 897
<b>EXCLUDE:</b>		
Depreciation expense in relation to property, plant and equipment	(3 388)	(1 868)
<b>OPERATING COSTS</b>	<b>315 069</b>	<b>218 127</b>
<b>RENTAL INCOME</b>		
Contractual rental income per IFRS income statement (excluding straight-lining)	1 241 912	970 404
Utility and operating recoveries per IFRS income statement	263 191	166 932
<b>GROSS RENTAL INCOME</b>	<b>1 505 103</b>	<b>1 137 336</b>
<b>SA REIT COST-TO-INCOME RATIO</b>	<b>20.9%</b>	<b>19.2%</b>
<b>SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO</b>		
<b>EXPENSES</b>		
Administrative expenses as per IFRS income statement	78 039	56 897
<b>ADMINISTRATIVE COSTS</b>	<b>78 039</b>	<b>56 897</b>
<b>RENTAL INCOME</b>		
Contractual rental income per IFRS income statement (excluding straight-lining)	1 241 912	970 404
Utility and operating recoveries per IFRS income statement	263 191	166 932
<b>GROSS RENTAL INCOME</b>	<b>1 505 103</b>	<b>1 137 336</b>
<b>SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO</b>	<b>5.2%</b>	<b>5.0%</b>
<b>SA REIT GLA VACANCY RATE</b>		
Gross lettable area of vacant space	9 490	1 401
Gross lettable area of total property portfolio	1 363 900	1 146 354
<b>SA REIT GLA VACANCY RATE</b>	<b>0.7%</b>	<b>0.1%</b>
<b>COST OF DEBT</b>		
<b>VARIABLE INTEREST-RATE BORROWINGS</b>		
Floating reference rate plus weighted average margin	5.85%	2.45%
<b>FIXED INTEREST-RATE BORROWINGS</b>		
Weighted average fixed rate	5.83%	2.65%
<b>PRE-ADJUSTED WEIGHTED AVERAGE COST OF DEBT</b>	<b>5.85%</b>	<b>2.53%</b>
<i>Adjustments:</i>		
Impact of interest rate derivatives	1.33%	0.18%
Impact of cross-currency interest rate swaps	0.00%	0.00%
Amortised transaction costs imputed into the effective interest rate	0.06%	0.08%
<b>ALL-IN WEIGHTED AVERAGE COST OF DEBT</b>	<b>7.24%</b>	<b>2.79%</b>

All rates are nominal annual compounded quarterly (nacq)

R'000	GROUP	
	UNAUDITED 28 FEBRUARY 2022	UNAUDITED 28 FEBRUARY 2021
<b>SA REIT LOAN-TO-VALUE</b>		
Gross debt	9 000 572	6 828 343
<i>Less:</i>		
Cash and cash equivalents (and including short-term deposits)	(570 143)	(612 316)
<i>Add/Less:</i>		
Derivative financial instruments	7 925	274 199
<b>NET DEBT</b>	<b>8 438 354</b>	<b>6 490 226</b>
Total assets – per Statement of Financial Position	27 740 130	20 857 199
<i>Less:</i>		
Cash and cash equivalents (and including short-term deposits)	(570 143)	(612 316)
Derivative financial assets	(165 283)	(27 420)
Goodwill and intangible assets	–	–
Trade and other receivables	(223 196)	(285 700)
<b>CARRYING AMOUNT OF PROPERTY-RELATED ASSETS</b>	<b>26 781 508</b>	<b>19 931 763</b>
<b>SA REIT LOAN-TO-VALUE ("SA REIT LTV")</b>	<b>31.5%</b>	<b>32.6%</b>

## APPENDIX 3

Equites Property Fund Limited and its subsidiaries for the year ended 28 February 2022

### SHAREHOLDER ANALYSIS

1	SHAREHOLDER SPREAD	NUMBER OF SHAREHOLDER ACCOUNTS	% OF TOTAL SHAREHOLDER ACCOUNTS	NUMBER OF SHARES	% OF ISSUED SHARES
	1 - 1 000	3 188	47.8%	609 137	0.1%
	1 001 - 10 000	2 135	32.1%	7 485 797	1.0%
	10 001 - 100 000	802	12.1%	27 310 748	3.5%
	100 001 - 1 000 000	369	5.6%	121 528 293	15.7%
	Over 1 000 000	159	2.4%	619 639 400	79.7%
		<b>6 653</b>	<b>100.0%</b>	<b>776 573 375</b>	<b>100.0%</b>

2	DISTRIBUTION OF SHAREHOLDERS	NUMBER OF SHAREHOLDINGS	% OF TOTAL SHAREHOLDINGS	SHARES HELD	% HELD
	Banks, Brokers & Nominees	20	0.3%	4 146 506	0.5%
	Close Corporations	44	0.7%	597 830	0.1%
	Collective Investment Schemes	346	5.2%	275 656 999	35.5%
	Control Accounts and Unclaimed Shares	5	0.1%	136 689	0.0%
	Insurance & Assurance Corporate Funds	17	0.3%	15 125 058	2.0%
	Lending, Collateral & Pledged Accounts	24	0.4%	17 574 967	2.3%
	Non-SA Custodians	55	0.8%	96 416 403	12.4%
	NPO & Charity Funds	67	1.0%	2 506 965	0.3%
	Organs of State & Public Entities	22	0.3%	14 361 221	1.9%
	Pooled & Mutual Funds	168	2.5%	24 921 276	3.2%
	Private Companies	224	3.4%	58 946 498	7.6%
	Public Companies	1	0.0%	13 958 621	1.8%
	Retail Individuals	4 831	72.5%	18 760 710	2.4%
	Retirement Benefit Funds	310	4.7%	208 334 715	26.8%
	Treasury Holdings	1	0.0%	357 856	0.1%
	Trusts & Investment Partnerships	518	7.8%	24 771 061	3.2%
	<b>TOTAL</b>	<b>6 653</b>	<b>100.0%</b>	<b>776 573 375</b>	<b>100.0%</b>

3	SHAREHOLDER TYPE	NUMBER OF SHAREHOLDINGS	% OF TOTAL SHAREHOLDINGS	NUMBER OF SHARES	% OF ISSUED CAPITAL
	<b>NON-PUBLIC SHAREHOLDERS</b>	<b>30</b>	<b>0.5%</b>	<b>109 749 776</b>	<b>14.1%</b>
	Beneficial Holders > 10%	3	0.1%	85 755 973	11.0%
	Directors and Associates (Indirect Holdings)	18	0.3%	21 634 353	2.8%
	Directors and Associates (Direct Holdings)	9	0.1%	2 359 450	0.3%
	<b>PUBLIC SHAREHOLDERS</b>	<b>6 623</b>	<b>99.5%</b>	<b>666 823 599</b>	<b>85.9%</b>
	<b>TOTAL</b>	<b>6 653</b>	<b>100.0%</b>	<b>776 573 375</b>	<b>100.0%</b>

4	BENEFICIAL SHAREHOLDERS HOLDING > 3% OF ISSUED SHARES	TOTAL SHAREHOLDING	% HELD
	Government Employees Pension Fund	85 755 973	11.0%
	Coronation Fund Managers	51 855 683	6.7%
	Old Mutual Group	46 617 542	6.0%
	Eskom Pension & Provident Fund	32 777 940	4.2%
	State Street Bank (Custodian)	27 157 007	3.5%
	Stanlib	26 766 539	3.5%
	JP Morgan (Custodian)	26 008 542	3.4%
	Sanlam Group	25 909 230	3.3%
		<b>322 848 456</b>	<b>41.6%</b>



5	<b>FUND MANAGERS HOLDING &gt; 3% OF ISSUED SHARES</b>	<b>TOTAL SHAREHOLDING</b>	<b>% HELD</b>
	Public Investment Corporation	85 098 622	11.0%
	Coronation Fund Managers	66 667 909	8.6%
	Old Mutual Investment Group	45 432 435	5.9%
	Sesfikile Capital	43 933 747	5.7%
	Stanlib Asset Management	37 661 814	4.9%
	Catalyst Fund Managers	29 509 035	3.8%
		<b>308 303 562</b>	<b>39.9%</b>
6	<b>BENEFICIAL HOLDING BY REGION</b>	<b>TOTAL SHAREHOLDING</b>	<b>% HELD</b>
	South Africa	665 527 647	85.7%
	United States	84 922 230	10.9%
	Mauritius	9 004 000	1.2%
	United Kingdom	7 455 912	1.0%
	Italy	2 514 677	0.3%
	Namibia	1 903 235	0.2%
	Balance (not listed above)	5 245 674	0.7%
		<b>776 573 375</b>	<b>100.0%</b>
	<b>TOTAL NUMBER OF SHAREHOLDERS</b>		<b>6 653</b>
	<b>TOTAL NUMBER OF SHARES IN ISSUE</b>		<b>776 573 375</b>
7	<b>SHARE PRICE PERFORMANCE</b>		
	Opening Price 1 March 2021		R18.26
	Closing Price 28 February 2022		R21.05
	Closing High for period (06 & 07 January 2022)		R23.53
	Closing Low for period (23 June 2021)		R17.95
	Opening Price 2 March 2020		R17.80
	Closing Price 26 February 2021		R18.31
	Closing High for period (22 February 2021)		R18.73
	Closing Low for period (19 March 2020)		R13.02
	Number of shares in issue		776 573 375
	Volume traded during period		286 247 354
	Ratio of volume traded to shares issued (%)		36.9%
	Market capitalisation at 28 February 2022		R16 346 869 544

## GLOSSARY

<b>2SD</b>	Two standard deviations	<b>IODSA</b>	Institute of Directors in Southern Africa
<b>3PL</b>	3 Party logistics	<b>ISDA</b>	International Swaps and Derivatives Association
<b>AGM</b>	Annual General Meeting	<b>ISO</b>	International Organization for Standardization
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment	<b>IT</b>	Information technology
<b>B-BBEE</b>	Broad Based Black Economic Empowerment Act of 2003	<b>JIBAR</b>	Johannesburg Interbank Average Rate
<b>BOARD</b>	Equites Property Fund Limited's board of directors	<b>JSE</b>	Johannesburg Stock Exchange
<b>BOE</b>	Bank of England	<b>JV</b>	Joint venture
<b>BP</b>	Basis points	<b>KGODISONG</b>	Kgodisong Early Childhood Learning Centre
<b>BREEAM</b>	Building Research Establishment Environmental Assessment Method	<b>KING IV</b>	King IV Report on Corporate Governance for South Africa
<b>CAGR</b>	Compound Annual Growth Rate	<b>KPI</b>	Key performance indicator
<b>CCIRS</b>	Cross currency interest rate swap	<b>KZN</b>	KwaZulu-Natal
<b>CEO</b>	Chief Executive Officer	<b>LDT</b>	Last Day of Trade
<b>CFO</b>	Chief Financial Officer	<b>LED</b>	Light-emitting diode
<b>CHAIR</b>	Chairperson	<b>LFL</b>	Like-for-like
<b>CIT</b>	UK Corporations Tax	<b>LIBOR</b>	London Interbank Offered Rate
<b>CODM</b>	Chief operating decision maker	<b>LTI</b>	Long-term incentive
<b>COMPANIES ACT</b>	the Companies Act, No. 71 of 2008, as amended from time to time	<b>LTV</b>	Loan-to-value
<b>COMPANY</b>	Equites Property Fund Limited	<b>MLF</b>	The Michel Lanfranchi Foundation NPC
<b>COO</b>	Chief Operating Officer	<b>MOI</b>	Memorandum of Incorporation
<b>COVID-19</b>	Coronavirus disease	<b>NACQ</b>	Nominal Annual Compounded Quarterly
<b>CPI</b>	Consumer price index	<b>NAV</b>	Net asset value
<b>CRM</b>	Customer relationship manager	<b>NCI</b>	Non-controlling interest
<b>CSDP</b>	Central Securities Depository Participant	<b>NEMA</b>	National Environmental Management Act
<b>CSP</b>	Conditional share plan	<b>NEWLANDS</b>	Newlands Property Developers LLP
<b>DAS</b>	Damon At Sons Construction (Pty) Ltd	<b>NGER</b>	National Greenhouse and Energy Report
<b>DCF</b>	Discounted cash flow	<b>NPO</b>	Non-profit organisation
<b>DCM</b>	Debt Capital Market	<b>NRLS</b>	Non-resident Landlord Scheme
<b>DEFF</b>	Department of Environment, Forestry and Fisheries	<b>OECD</b>	The Organisation for Economic Co-operation and Development
<b>DMTN PROGRAMME</b>	Domestic Medium Term Note Programme	<b>PFE</b>	Potential future exposure
<b>DOL</b>	Department of Labour	<b>PIP</b>	Plumbago Investment Platform (Pty) Ltd
<b>DPS</b>	Dividend per share	<b>PWC</b>	Pricewaterhouse Coopers Inc.
<b>ECL</b>	Expected credit losses	<b>REIT</b>	Real Estate Investment Trust
<b>EDGE</b>	Excellence in Design for Greater Efficiencies	<b>RFP</b>	Request for proposal
<b>EEA</b>	Employment Equity Act	<b>RLF</b>	Retail Logistics Fund (RF) (Pty) Ltd
<b>EIA</b>	Environmental Impact Assessments	<b>RMB</b>	Rand Merchant Bank
<b>EMEA</b>	Europe, the Middle East and Africa	<b>SA</b>	South Africa
<b>EMPR</b>	Environmental Management Programme Reports	<b>SAICA</b>	The South African Institute of Chartered Accountants
<b>ENGL</b>	Equites Newlands Group Limited	<b>SAPY</b>	South African Property Index
<b>EOS</b>	Executive outperformance scheme	<b>SARB</b>	South African Reserve Bank
<b>EPPF</b>	Eskom Pension and Provident Fund	<b>SDG</b>	Sustainable Development Goals
<b>EQUITES</b>	Equites Property Fund Limited	<b>SENS</b>	Stock Exchange News Service
<b>ESD</b>	Enterprise and Supplier Development	<b>SET</b>	Social, Ethics and Transformation
<b>ESG</b>	Environmental, Social and Governance	<b>SHOPRITE</b>	Shoprite Checkers (Pty) Ltd
<b>EXCO</b>	Executive Committee	<b>SMME</b>	Small, medium and micro-enterprises
<b>EXECUTIVE DIRECTORS</b>	CEO, CFO and COO	<b>SOFR</b>	Secured Overnight Financing Rate
<b>FCA</b>	Financial Conduct Authority	<b>SONIA</b>	Sterling Overnight Index Average
<b>FCTR</b>	Foreign currency translation reserve	<b>STANDARD BANK</b>	The Standard Bank of South Africa Limited
<b>FFO</b>	Funds from operations	<b>STI</b>	Short-term incentive
<b>FX</b>	Foreign exchange	<b>STRATE</b>	South Africa's principal central securities depository and central collateral platform
<b>FY</b>	Financial year	<b>TC02E</b>	Total carbon emissions
<b>GBCSA</b>	Green Building Council in South Africa	<b>TCFD</b>	Task Force on Climate-related Financial Disclosure
<b>GBP</b>	Pound sterling	<b>TERS</b>	Temporary Employer Relief Scheme
<b>GCR</b>	Global credit rating	<b>TFG</b>	The Foshini Group
<b>GHG</b>	Greenhouse Gas	<b>TGP</b>	Total guaranteed pay
<b>GLA</b>	Gross lettable area	<b>UCT</b>	University of Cape Town
<b>GRI</b>	Global Reporting Initiative	<b>UK</b>	United Kingdom
<b>GROUP</b>	Equites Property Fund Limited and its subsidiaries	<b>UN</b>	United Nations
<b>HMRC</b>	Her Majesty's Revenue and Customs	<b>US</b>	University of Stellenbosch
<b>IAS</b>	International Accounting Standards	<b>VWAP</b>	Volume weighted average price
<b>IBOR</b>	Interbank offered rate	<b>WACC</b>	Weighted Average Cost of Capital
<b>ICAS</b>	Independent Counselling and Advisory Services	<b>WALE</b>	Weighted Average Lease Expiry
<b>IFC</b>	International finance corporation	<b>YOY</b>	Year-on-year
<b>IFRS</b>	International Financial Reporting Standards	<b>ZAR</b>	South African Rand
<b>IFRSIC</b>	IFRS Interpretations Committee (Committee)		





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