



Equites' application of King IV

06 May 2024

EQUITES' APPLICATION OF KING IV

As a strong proponent for outcome-based corporate governance practices, Equites Property Fund Limited ("Equites" or "the group") welcomes the principles, practices and governance outcomes contained within the King IV Report which addresses fundamental corporate governance concerns on a holistic basis. We have assessed our adherence to the King IV Report as follows:

PRINCIPLE	APPLICATION OF THE PRINCIPLE
<p>Principle 1 The governing body should lead ethically and effectively.</p>	<p>The values of the Board of Directors ("the Board") are depicted in the behaviour of its directors. The Board considers the ethical imperatives embodied within the King IV Report including fairness, accountability, responsibility, transparency, integrity and competence to be the cornerstone of the corporate governance foundation. These imperatives permeate all facets of the execution of the Board's mandate.</p> <p>The Board has a clear mandate and appropriate corporate governance structures and processes in place to ensure that it conducts business ethically and effectively which enhances the long-term sustainability of the business.</p>
<p>Principle 2 The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>The Board establishes and bears responsibility for the group's ethical culture. It is the custodian of sound corporate governance and it sets the tone for how the ethical principles are cultivated throughout the organisation. The Board is committed to ensuring it conducts its business in compliance with both the letter and spirit of all applicable laws and regulations.</p> <p>The Board has specifically instituted a Social, Ethics & Transformation Committee ("SET") with the precise responsibility, inter alia, of monitoring and overseeing the group's promotion of ethical values. This Committee consists primarily of non-executive directors who independently execute this responsibility effectively. While the Board has set up this Committee, it acknowledges that it remains responsible for instilling a strong ethical culture within the group.</p> <p>The Board introduced a whistle-blowing policy and the provision of an independent reporting line to detect breaches of ethical standards, which is operating effectively in the organization, thereby contributing further to a robust ethical foundation.</p>
<p>Principle 3 The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>Equites strives to be a good corporate citizen, both in mind and in appearance, in all aspects of the business.</p> <p>As such, the SET Committee is mandated to monitor and assess the group's activities specifically with regards to good corporate citizenship. The Committee's remit extends to all aspects of the group's activities including; labour and employment, environmental, health and public safety, community empowerment, ethics, transformation, consumer relationships and stakeholder engagement.</p> <p>Equites follows the principles embodied in the UN Sustainable Development Goals.</p> <p>Equites has consistently been rating "low risk" by global ratings agency, Sustainalytics reflecting its commitment to ongoing corporate responsibility.</p>
<p>Principle 4 The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>Equites aims to create value by developing or owning high quality logistics properties let to investment grade tenants in South Africa and the United Kingdom.</p> <p>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 stakeholder interests. The Board reviews the activities of the group to ensure that they are in line with this strategy.</p> <p>The Board is actively involved through its Investment Committee in the process of acquiring new land or properties as well as disposing of non-core properties.</p> <p>Through the Risk and Capital Committee, the Board further ensures that the capital structure is constantly evaluated and that sufficient resources are available to execute its strategy.</p>

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PRINCIPLE

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Principle 5

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.

Stakeholder relations is a key aspect of the group's strategic objectives. It is important to maintain these relationships with accurate and reliable information.

The Audit Committee ensures that all the necessary controls are in place to verify and safeguard the integrity of reports issued by the group.

The Audit Committee reviews and discusses the Integrated Report annually prior to it being authorized by the Board. They ensure that the Integrated Report, along with other supporting reports, addresses all material matters Equites believes are important to its stakeholders. Furthermore the Committee ensures that these reports are compliant with the applicable reporting frameworks, legal reporting requirements and meet the needs of the stakeholders intending to use the report.

All reports (such as Integrated Report, SENS announcements, interim results) issued are published on the Company's website and on other platforms, where appropriate.

Principle 6

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The Board serves as the focal point and custodian of corporate governance in the group. The Board has a unitary structure and a clear focus as to its role and responsibilities and these are adhered to. The Board is supported by various Committees which have delegated responsibility to assist it to fulfil certain responsibilities. Furthermore, the role of the chairman ensures a balance of power and authority and precludes any one director from exercising unfettered powers of decision-making. The chairman is responsible for effectively leading the Board.

Principle 7

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

In line with its mandate, the Board has responsibility for its composition. The Board ensures that there is appropriate diversity, skills, knowledge, resources and expertise to effectively discharge its role and responsibilities as a governing body.

Composition, independence and role of the chairman

The Board is comprised of 11 members, 3 of which are executive directors and 8 are non-executive directors. Of the 8 non-executive directors, the Board has assessed that 7 are independent. The three executive directors include the Chief Executive Officer (CEO), the Chief Operating Officer (COO) and the Chief Financial Officer (CFO).

There are a majority of non-executive directors on the Board, the majority of which are independent. The Board considers its composition to have a sufficient number of independent directors to ensure that an appropriate balance of power exists to make well-reasoned, independent decisions about the business. In this regard, we note further that all directors' financial interests are disclosed and any affected director does not participate in decision-making where he/she has a financial interest in the decision in accordance with section 75 of the Companies Act.

The chairman of the Board is an independent, non-executive director with vast experience in that role to ensure that the Board's decision-making power is wielded objectively and effectively.

Experience, diversity, knowledge and skills

Across the Board, there is a wealth of knowledge and experience on some of the most prestigious boards of directors in South Africa. We pride ourselves on the experience that our Board is able to draw upon to make effective decisions that ensure the growth of the business in a sustainable manner.

The Board encourages diversity and considers it to be a necessary ingredient to its flourishing and to discharge its governance role and responsibilities. The Nominations Committee has appointed a number of directors to enhance the diversity on the Board and remains committed to continue doing so. Moreover, the extensive knowledge and skills that the Board possesses makes it fit for purpose as the governing body to direct the group's operations.

Director appointment process

The Board follows a formal and transparent process when appointing new directors and any appointment is considered by the Board, on the recommendation of the Nomination Committee, which comprises solely non-executive directors. It evaluates the skills, knowledge and experience required to implement group strategy.

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Principle 8

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.

The Board acknowledges that it has the ultimate responsibility for the discharge of its duties. However, it has instituted several Committees which it delegates authority to assist it in promoting independent, insightful judgment and with the discharge of its duties. These Committees, including their responsibilities, are outlined below:

- **Investment Committee** – In light of the increased volume and magnitude of transactions under consideration, it became clear that the Board would more effectively discharge its duties by instituting a Committee which is comprised solely of non-executive directors;
- **Audit Committee** – this Committee plays an indispensable role in ensuring that the Board discharges its duties of maintaining unqualified integrity of financial reporting and identifying and mitigating risks associated with financial reporting;
- **Risk and Capital Committee** – this Committee plays an important role in the appropriate identification and management of risks which may have a material impact on the group's operations and importantly assesses the capital structure and cash flow of the business on an ongoing basis;
- **Remuneration Committee** – this Committee is constituted predominantly to promote independence, fairness and transparency with regards to the group's remuneration policies. It is comprised solely of independent non-executive directors to achieve its mandate;
- **Nominations Committee** – where new director appointments are required, this Committee is tasked with the specific objective of ensuring the appropriate person is recommended to be appointed such that the Board is able to more effectively discharge its duties;
- **SET Committee** – the duties and responsibilities of this Committee are outlined in a formal, approved terms of reference. This Committee is responsible for reviewing and approving the policy, strategy and structure to manage the social, ethics and transformational pursuits of the business to promote good corporate citizenship.

The Board firmly believes that the strategic deployment of the above Committees enhances its ability to promote independent judgement and to effectively discharge its duties.

Principle 9

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

The Board assumes responsibility to evaluate its own performance and that of the Committees that it has instituted (including their respective chairs and individual members). These Committees exist to ensure that the Board is able to effectively discharge its duties which is precisely why the Board is responsible for evaluating whether each Committee is acting in accordance with its terms of reference. The Board periodically appoints external specialists to perform independent reviews of the effectiveness of the functioning of the Board and Committees.

The Remuneration Committee reviews and assesses the performance of the executive directors and employs external consultants to ensure that the executive directors are adequately incentivized to promote continued improvement in the group's performance.

Principle 10

The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

The Board has set the direction and parameters for the powers which are to be reserved for itself, and those that are to be delegated to management via the Executive Committee which includes the CEO, CFO and COO. The Executive Committee is responsible for leading the implementation and execution of approved Board strategy, policy and operational planning, and serves as the pivot between management and the Board. The CEO, CFO and COO oversee that key management functions are headed by individuals with the required skills and authority as delegated by the Board and have been authorised to ensure that key management functions are adequately resourced.

EQUITES' APPLICATION OF KING IV CONTINUED

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Principle 11
The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.

Risk management is an integral part of the group's strategic management and is essential to ensure quality growth in the net asset value, which translates into sustainable distribution growth.

The group employs a risk management framework to:

- Identify risk factors which may have a material impact on the group's operations;
- Formulate a mitigating response for each area of impact;
- Monitor progress against mitigating targets; and
- Review and revise identified risks on an ongoing basis.

The Risk and Capital Committee oversees the risk management framework and has an ongoing responsibility to monitor the group's risk management process.

A risk register is maintained and tabled for discussion annually at the Risk and Capital Committee after which it is presented to the Board. The risk register includes the identification of risk, the areas within the organization impacted, the Company's response and the status thereof.

Principle 12
The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

The Board is responsible for the governance and ongoing oversight of technology and information. The Board is aware of the impact that technology and information have on the group's ability to achieve its strategic objectives and confirms that processes are in place to ensure the integrity and safeguarding of information.

The Board recently commissioned an independent review of the functioning of the IT environment; the findings will be implemented by management who will provide feedback to the Board.

Management is responsible for the day-to-day activities and implementation of technology and information. These include ensuring that data is protected; updated timeously; accurate; and easily accessible.

Principle 13
The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

Management understand that compliance with laws, rules, regulations and relevant standards are integral to the company's risk management process and ensure that they stay abreast of the latest developments in the regulatory space through regular training and consultation with field experts (auditors, lawyers, tax specialists, etc.)

Management report on the status of compliance to the Audit Committee/Risk and Capital Committee on an ongoing basis and these Committees maintain ultimate responsibility for ensuring that an appropriate compliance framework is in place and that any non-compliance is reported.

The Audit Committee obtains assurance on the financial statements and internal controls as required by the statutory duties set out in section 90 of the Companies Act. The Audit Committee has satisfied itself as to the expertise and experience of the finance function, the CFO and were satisfied with the independence and performance of the external audit function.

The Board is satisfied that the Company has met the requirements of the Companies Act, the Listings Requirements of the JSE Limited, Taxation laws in the operational jurisdictions, the Protection of Personal Information Act (POPI) and the laws which specifically govern SA REITs. As in previous years, there has been no non-compliance by, or fines or prosecutions against the group, during the year under review.

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Principle 14

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

The group's guiding philosophy is to attract and retain high caliber, appropriately skilled and experienced executives. Highly skilled and motivated executives are considered key to the group's long-term objectives and to maximize shareholder value.

The Remuneration Committee is tasked with ensuring that executive directors are fairly remunerated for their individual contributions to the company's performance and for ensuring that the group's remuneration policies are well designed to align performance with reward. This task is carefully balanced with the interest of stakeholders and the financial condition of the group.

Principle 15

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

The Audit Committee reviews the expertise, resources and experience of the company's finance function, with particular focus on the role of finance director, and notes any shortcomings or concerns. This role is also assessed through the Board and Committee evaluations process which is performed annually.

Frameworks for internal controls are established over financial, operational, compliance and sustainability matters. Although a combined assurance model has not yet been formalized for the group, various sources of assurance are currently in place. This includes internal management monitoring, external audit, compliance monitoring and various specialists and external consultants.

The Board has approved the formation of an internal audit function which reports to the Audit Committee and Risk and Capital Committee.

Principle 16

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

In managing stakeholder interests, the Board has focused on identifying the stakeholders and understanding the needs of all parties involved. Amongst others, the key stakeholders include shareholders, tenants and suppliers. In order to effectively manage the stakeholder relationship, the Board has adopted an all-inclusive approach which balances the expectations and needs of stakeholders with the interests of the business. It is imperative to understand that the interplay between all these elements result in ultimate success for the business as a whole.

The Board has delegated the development of the strategy to management who provides regular updates on ongoing matters relating to key players via financial and operational updates.

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