HYPROP

INVESTMENTS LIMITED

Application of King IV 2020

Hyprop's application of King IV™

HYPROP INVESTMENTS LIMITED | ("Hyprop" or the "company")

KING CODE OF CORPORATE GOVERNANCE (KING IV)

APPLICATION REGISTER

The Hyprop board of directors (the board) exercises a strong focus on ethical leadership and good governance that incorporates the philosophies of sustainable development, integrated thinking, corporate citizenship, stakeholder inclusivity and the Company's role and responsibility in society.

Our commitment to accountable and transparent governance is fundamental to the sustainability of our business.

In line with its charter, the board acts as the focal point for, and custodian of corporate governance by conducting its relationships with management, shareholders and other stakeholders on sound corporate governance principles.

King IV

The board is fully committed to the four governance outcomes as set out in King IV.

- The promotion of corporate governance is integral to running an organisation and delivering outcomes such as ethical culture, good performance, effective control and legitimacy.
- Reinforcing corporate governance as a holistic and interrelated set of arrangements to be understood and implemented in an integrated manner.
- Encouraging transparent and meaningful reporting to stakeholders.
- Presenting corporate governance with reference to structure and process, as well as ethical consciousness and conduct.

The board seeks to apply the recommendations of King IV, comply with the JSE Listings Requirements and the Companies Act 71 of 2008 (the Companies Act), incorporating relevant best governance practice in all its activities.

Key practices to maintain good corporate governance include:

- Ensuring the board fulfils its responsibilities in accordance with the board charter which is reviewed annually.
- The board meets at least four times a year, with special meetings scheduled if required.
- The board has unrestricted access to all Company information, records, documents and property, subject to a board-approved procedure.
- Hyprop directors and members of board committees (audit and risk, remuneration and nomination, social and ethics, investment) may take independent advice in the performance of their duties (at Company cost), after following a board-approved procedure.

PRINCIPLE 1

The governing body should lead ethically and effectively.

Hyprop's management team is a qualified and accomplished unit that applies a hands-on strategic and operational approach to ensuring the strategy of the Group is actioned within the organisation.

The board members, individually and collectively, provide effective leadership and governance based on the ethical imperatives of integrity, competence, responsibility, accountability, fairness and transparency. The board promotes a stakeholder inclusive approach to governance, considering the impact of operations on internal and external stakeholders.

Directors ensure they are sufficiently familiar with applicable laws, rules, codes and standards to effectively discharge their duties. The board's goal is to lead by example and embody the values set out in Hyprop's code of conduct and ethics. Directors endeavour to perform their stewardship role following five moral duties: care, competence, conscience, commitment and courage.

SE

The social and ethics committee monitors compliance with Hyprop's code of conduct within the scope of other relevant social, ethical and legal requirements, as well as best practice. The social and ethics committee reports to shareholders on matters within its mandate at each annual general meeting (AGM), via the integrated annual report and corporate website.

Board effectiveness is evaluated annually in questionnaire form, conducted by the human resources department. Results are reviewed by the chairman and discussed with the board.

RN

Individual board members' performance is evaluated annually by the remuneration and nomination committee.

Both assessments ensure that the board and individual board members are held accountable for ethical and effective leadership.

IV 2 PRINCIPLE 2

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The board recognises that it is ultimately responsible as the guardian of Group values, ethics and governance. It sets the direction for how ethics are approached and addressed, and recognises its role is to set the tone for an ethical culture where the values and principles of the business are cultivated and adopted by all employees. This is achieved by effectively managing corporate ethics and aligning business strategy to corporate values, while considering the impact on the economy, society, stakeholders and the environment.

The board ensures that risks and opportunities are incorporated in the risk management process or ethics programme and that Hyprop's performance is assessed, monitored and disclosed. The board has ensured that a code of conduct and ethics-related policies articulate the ethical standards expected of all officers and employees and are implemented.

The organisational culture is reflected in the Company's vision and mission; strategies and operations; decisions and conduct; and the way it treats all stakeholders.

The board has delegated the responsibility for implementing and enforcing the code of conduct and ethics policies to management but retains oversight of these processes.

Ongoing key areas of focus for the board include ensuring that:

- The conduct of the board and management sets an example by aligning operations with Company values;
- Ethical risks and opportunities are incorporated in risk management and investment processes;
- Hyprop's ethics performance is reported and assessed at social and ethics committee meetings;
- Compliance with the code of conduct is integral to the strategy and operations of the Company.

IV 3 PRINCIPLE 3

The governing body should ensure that the organisation is, and is seen to be, a responsible corporate citizen.

Hyprop strives to be a responsible corporate citizen by operating the business sustainably, complying with the Constitution of the Republic of South Africa, the applicable legislative environment, applicable regulations and leading industry standards, and adhering to its code of conduct and policies. As such, the board considers financial performance as well as the impact of the Company's operations on society and the environment.

The board ensures collaborative efforts with stakeholders promotes ethical conduct and good corporate citizenship.

Internally, the emphasis is on ensuring an ethical culture in the workplace, one that contributes to economic prosperity, social responsibility and environmental protection.

The board sets the direction for how Hyprop's standing as a good corporate citizen is approached and maintained, ensuring the Company's related initiatives comply with applicable laws, leading standards and its own codes of conduct and policies.

Oversight of Hyprop's corporate citizenship is based on measures and targets agreed with management in terms of the workplace, the economy, society and the environment.

Key areas of focus for the board

Considering
financial performance
and the impact of
Hyprop's operations on
society and the environment.

Communities

Through its
social and ethics committee,
overseeing that measurable
corporate citizenship programmes
and policies are developed
and implemented to
ensure Hyprop
generates sustainable value.

Communities

Regulatory bodies

Ensuring the Company's performance
and interaction with its stakeholders
are guided by
South Africa's Constitution and Bill of Rights,
relevant legislation, and
Company policies
and procedures.

Employees

Tenants

Funders & investors

Suppliers

Communities

Ensuring collaborative
efforts with stakeholders
promotes
ethical conduct
and **good corporate citizenship.**

IV 4 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.

Hyprop's vision is to be a leading South African based Real Estate Investment Trust (REIT) through managing and developing tangible and non-tangible assets. Hyprop strives to create safe environments and opportunities for people to connect and have authentic and meaningful experiences, by owning and managing dominant retail centres in mixed-use precincts in key economic nodes in South Africa and Eastern Europe.

The board evaluates and approves Group strategy, scrutinises Group performance and measures executive management's performance against key performance deliverables. There is a clear division of responsibilities at board level, to ensure that no one director has unfettered power of decision-making.

The board considers sustainability as a business opportunity that is directly linked to Group strategy. Management is tasked with developing the Group's short-, medium- and long-term strategy, as well as the policies and operational plans to give effect to this strategy, for approval by the board. Once approved, management is responsible for implementing these policies and operational plans, with ongoing oversight by the audit and risk, remuneration and nomination, and the social and ethics committees, and ultimately the board, against agreed performance measures and targets.

Key areas of focus include:

- Ensuring Group strategy is translated into measurable key performance and risk areas (including finance, operations, ethics, compliance and sustainability) and that associated targets are clearly articulated;
- Aligning strategic objectives, vision and mission with risk and performance, in line with the board charter;
- Ensuring the Group's formal risk management process considers the full range of risks, encompassing strategic and operational performance and sustainability;
- Regularly reviewing Hyprop's viability, taking account of the six capitals, solvency and liquidity, and its status as a going concern;
- Ensuring long-term planning will result in sustainable outcomes, considering people, planet and profit.

IV 5 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.

Engaging with stakeholders (employees, funders and investors, communities, tenants, regulatory bodies and suppliers) is a critical part of Hyprop's business strategy. The priority is to determine stakeholder needs and respond appropriately.

The board assesses the integrity of all external reports to stakeholders, ensuring that all communication is transparent, accurate and relevant. Identified stakeholders are given access to enough information to make considered assessments of Hyprop's financial performance and prospects. The board believes that considering the material, legitimate interests and expectations of stakeholders in its decision-making is in the best interests of the Company.

The board accepts its accountability to shareholders for the Group's performance and activities. Hyprop communicates with shareholders principally through its integrated annual report, annual financial statements, annual and interim results reports, SENS announcements, the corporate website, presentations to investors (at least four times a year), one-on-one meetings with investors and analysts and press announcements. The annual general meeting and any other general meetings enable directors to inform shareholders and stakeholders about current operations and proposed initiatives and for stakeholders to express their views on business activities.

The board approves management's determination of the Group's reporting framework and standards to be used in advance, considering legal requirements and the intended audience and purpose of each report. In particular, the board oversees that the integrated annual report and consolidated financial statements, as well as associated reports and channels of communication, comply with legal requirements and meet the legitimate and reasonable information needs of material stakeholders.

IV 6 PRINCIPLE 6

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

Hyprop's approach to corporate governance is based on the values and principles underpinning its activities, including collaboration, execution, responsibility, integrity, creativity and accountability. This requires a commitment to excellence in corporate governance standards, which Hyprop regards as fundamental to the sustainability of its business.

In line with its charter, the board is the focal point for, and custodian of, corporate governance, conducting its relationship with management, shareholders and other stakeholders in accordance with sound corporate governance principles. No one director has unfettered powers of decision-making.

In exercising this leadership role, the board steers Hyprop's strategic direction, and approves the policies and planning that give effect to this direction; monitors implementation by management, and ensures accountability for organisational performance through reporting and disclosure.

The board is committed to applying the recommendations of King IV, complying with the JSE Listings Requirements and the Companies Act, and adopting relevant standards of best practice, always acting in the best interests of the Company.

IV

In line with King IV's "apply and explain" approach, the directors disclose the extent to which Hyprop applies these principles in this report and the Integrated Annual Report. The board believes the Group has established an effective framework and processes to comply with laws, codes, rules and standards.

IV 7 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.

The board maintains an appropriate balance of power, skills and experience (including business, commercial and industry experience), diversity and independence to objectively and effectively discharge its governance role and responsibilities.

RN

In determining the composition of the board, the remuneration and nomination committee considers the appropriate mix of executive, non-executive and independent non-executive directors, regulatory requirements and diversity targets.

The board comprises a majority of non-executive directors, most of whom are independent. The classification of non-executive directors as independent or otherwise is assessed annually by the chairman and the board, assisted by the remuneration and nomination committee, and disclosed in the integrated annual report. The independence of non-executive directors serving for longer than nine years is reviewed by the board each year.

The board is required to have a minimum of two executive directors. In this capacity, the chief executive officer (CEO); chief financial officer (CFO) and chief investment officer (CIO) ensure three points of direct interaction with management.

The board promotes transformation and racial diversity, gender diversity and succession planning (including mentorship and development of future candidates) at board level and across the Group. It establishes key policies to ensure sustainable leadership and reviews the remuneration policies (including the implementation thereof) at a senior level.

SIZE OF THE BOARD

In determining the number of directors to serve on the board, the right mix of knowledge, skills and resources required by Hyprop's business operations is considered. At present, the board's size is appropriate given Hyprop's size and geographical diversification.

This is reviewed periodically against the scale and nature of the Company's operations, their geographic location and the Company's broader strategic goals.

APPOINTMENT OF DIRECTORS

Directors are appointed by the board. These procedures are formal and transparent and a matter for attention for the board, assisted by the remuneration and nomination committee.

In terms of Hyprop's Memorandum of Incorporation (MOI), new directors may be appointed by the board and are confirmed by shareholders at the next AGM. Prior to appointment, the committee ensures new directors meet "fit and proper" tests and include detailed background and reference checks. Details of appointment procedures and the composition of the board are set out in the integrated annual report.

NON-EXECUTIVE DIRECTORS

Non-executive directors have diverse backgrounds in commerce and industry. Their collective experience enables them to apply sound, objective judgement in decision-making but they are not involved in Hyprop's daily operations.

Each non-executive director receives a letter of appointment. This requires complying with the directors' code of conduct, sets out the contributions expected of each director, terms of remuneration, and details of directors' and officers' liability insurance in place. Induction for new directors is set out below.

The directors' code of conduct is addressed in the board charter.

The remuneration and nomination committee

This committee comprises the board chairman and two independent non-executive directors. The CEO and Head of Human Resources attend committee meetings by invitation. At least one-third of the directors retire by rotation at the annual general meeting each year, in line with the Company's MOI. The board, through the remuneration and nomination committee, reviews eligibility of retiring directors for re-election, considering their past performance, contribution and the objectivity of business judgements. The board then makes a recommendation to shareholders on the re-appointment of each retiring director, which is included in the notice of the AGM.

Reasons for the removal, resignation or retirement of directors are disclosed. Vacancies on the audit and risk committee are filled by the board until the next AGM when members are formally elected by shareholders.

In terms of the committee's terms of reference, the board must fill vacancies within 40 business days of a vacancy arising.

The Chairman

Mr Gavin Tipper is Hyprop's independent non-executive chairman and leads the board in objectively and effectively discharging its governance roles and responsibilities. He was appointed on 27 June 2013, and his role is formally defined and separate from that of the CEO. He is not a former CEO and is subject to re-election by board members every year. Succession planning is in place for the chairman's position.

Gavin provides leadership and guidance to the board and encourages deliberation on all matters requiring directors' attention. In line with best practice, he does not chair matters relating to remuneration at the remuneration and nomination committee.

For the board, real or perceived conflicts of interest are disclosed and managed appropriately.

Company Secretary

Statucor Proprietary Limited is an independent organisation providing Company secretarial services to several JSE-listed companies. The board is satisfied that the Company Secretary is sufficiently qualified and skilled to act in accordance with, and update directors on, the recommendations of King IV, the Companies Act and other relevant regulations and legislation.

The board reviews the relationship between the Company Secretary and itself, as well as its committees, annually. It has determined that the Company Secretary is independent from management and does not perform any management or executive duties on behalf of the board or any subsidiary companies.

The Company Secretary is not a director of Hyprop or a material shareholder of the Company or any of its subsidiaries. There are no major contractual relationships with the Company or any director. Accordingly, the board is satisfied that the Company Secretary maintains an arm's length relationship with the board of directors.

The functions of the Company Secretary include:

- Guiding directors, collectively and individually, on their duties, responsibilities and powers;
- Providing information on legislation, regulations and relevant matters of ethics and good corporate governance;
- Ensuring the process for meetings is robust and well documented, including minutes of meetings, attendance registers, resolutions, directors' declarations of personal and financial interests, and all notices and circulars issued by the Company;
- Responsibility for filing annual and other returns with the Companies and Intellectual Property Commission (CIPC) in terms of the Companies Act;
- The Company Secretary updates the board on developments in ethics, corporate governance, legislation and regulation.

The board reviews any changes to the scope and functions of the Company Secretary and appropriate measures are implemented to comply with best practice and support sustainable performance.

Employment equity and transformation

In line with its employment equity policy, Hyprop is committed to promoting equal opportunity and fair treatment of all employees, regardless of gender, race, language, sexual preferences and age. Our employment equity code prohibits discrimination, and internal measures have been implemented to redress disadvantages experienced by designated Groups to ensure their equitable representation in all occupational categories.

Hyprop complies with the Employment Equity Act and is committed to organisational transformation to diversify its workforce, when opportunities arise.

Hyprop's five-year employment equity plan was approved by the board and submitted to the Department of Labour in 2017. An annual progress report is submitted each January.

Board training

A formal induction programme is in place for new directors. This includes briefings by the chairman, CEO, CFO and Hyprop's JSE sponsor. New directors are introduced to key senior management at Company and shopping centre levels, and site visits to the shopping centres are facilitated.

Inexperienced directors are developed through mentorship programmes, and continuing professional development programmes are implemented for all directors as required. Directors are encouraged to complete ongoing professional development in their personal capacity.

Directors are regularly briefed on changes in risks, laws and the business environment. If required, they have access to experts and other parties in carrying out their duties.

IV 8 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 has duly constituted separate committees (audit and risk, social and ethics, investment, and remuneration and nomination), whose terms of reference are established in separate committee charters approved by the board and reviewed regularly. Executive directors and senior management are invited to attend committee meetings to provide pertinent information and insights in their areas of responsibility. Every director is entitled to attend any committee meeting as an observer.

The Company discloses the names and details of any external advisers who regularly attend, or are invited to attend, committee meetings. The number of meetings held each year by the board and each committee and details of attendance are disclosed in the integrated annual report.

The board has delegated roles and responsibilities to these committees and is satisfied that each committee has the collective knowledge, skills, experience and capacity to execute their duties effectively. Delegating responsibility to a committee does not absolve the board of its responsibility and accountability. The chair of each committee reports back to the

board on activities of the committee at each board meeting. The board continues to apply its collective mind to the information, opinions, recommendations, reports and statements presented by any committee or director.

Hyprop has processes to ensure directors have no conflicts of interest in fulfilling their duties. Where conflicts do exist, they are properly declared and dealt with in accordance with regulations. Constructive debate at meetings contributes to informed decisions.

The chairman is an independent non-executive director whose role is clearly defined and separated from that of the CEO.

Similarly, the responsibilities of the CEO, CFO and CIO are strictly separated from those of non-executive directors to ensure no single director can make unilateral decisions. The chairman leads the board and encourages proper deliberation on all matters requiring directors' attention, with input from other directors. The CEO, CFO and CIO are responsible for implementing strategy and operational decisions within approved delegation of authority parameters.

RN

The remuneration and nomination committees are combined to improve efficiencies and comprises three independent non-executive directors. It ensures Hyprop's remuneration policies and practices support its strategic objectives, encourages individual performance to build long-term value through fair and appropriate remuneration. The committee reviews the performance of board members up for re-election at each AGM and reviews executive and senior management's remuneration.

SE

The social and ethics committee comprises three directors (two independent non-executive directors and one executive director). It oversees and reports on activities involving corporate citizenship, community upliftment, organisational ethics, sustainable development and anti-corruption policies. In addition, it monitors stakeholder engagement and relationships.

AR

The audit and risk committee comprises five independent non-executive directors who have the necessary financial literacy, skills and experience to execute their duties effectively. The audit and risk committee ensures that Hyprop has established appropriate financial reporting procedures and that these are operating effectively. It monitors the risk management process (including the roles of the internal auditors) on behalf of the board and assesses risks as well as opportunities supporting sustainable value creation for the Company. It oversees cooperation between external and internal audit to avoid overlap in audit scope. The committee sets the Company's level of risk tolerance annually for recommendation and approval by the board. The risk assessment process addresses risks affecting Hyprop's operating environment, income streams, critical dependencies, sustainability, and the legitimate interests and expectations of stakeholders.

IV 9

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 is responsible for evaluating its own performance, that of its committees, chair and individual members. It determines how these evaluations are conducted under a formal, independent process to ensure performance and effectiveness are continually improved. Any issues identified through this process are appropriately addressed.

The board determines its role, functions, duties and performance criteria, as well as those for directors and committees. These serve as the benchmark for its own performance evaluation. Results are assessed by the chairman and Company Secretary and discussed with the board to identify training needs for directors. The remuneration and nomination committee assesses the performance of the CEO, CFO and CIO annually.

The chairman's ability to add value, and his performance against what is expected of his role and function, is assessed every year.

IV 10 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 is responsible for leading implementation and execution of the Group's approved strategy, policies and operational planning. The CEO is the key link between management and the board.

The board has access to professional and independent guidance on corporate governance and its legal duties, as well as support to coordinate the functioning of the board and its committees.

All directors have access to the advice of the Company Secretary, who provides professional corporate governance services and guidance to the board and individual members to ensure they discharge their responsibilities appropriately. The Company Secretary's appointment and/or removal is determined by the board and she is empowered by the board to effectively perform her duties in terms of a formalised role and function.

The board has considered and endorsed the Company Secretary's ability to perform her duties, including her qualifications, experience, competence, effectiveness and objectivity. This is performed annually. While she has unfettered access to the board, the directors have concluded that the relationship with the Company Secretary, who is not a member of the board and is not involved in the day-to-day management of the Company, is at arm's length and that the Company Secretary does not have a conflict of interest in performing her role. The Company Secretary reports to management on all duties performed and administrative matters.

RN

The remuneration and nomination committee recommends all appointments to the executive management team, after an approved assessment process. Collectively, the board and executive management aim to provide effective leadership and supervision for the Company, based on ethical imperatives where leadership is expected to direct business strategy and operations to ensure long-term sustainability.

The board has ensured effective exercise of authority and responsibilities:

- By defining materiality, in line with an approved delegation of authority framework.
- Through input on senior executive appointments, via the remuneration and nomination committee, ensuring the Company complies with the Companies Act.
- By stipulating that the CEO does not serve on the remuneration and nomination or audit and risk committees.
- By evaluating the performance of the CEO against set measures and criteria.
- By establishing a formal succession plan for the CEO and other senior executives.

IV 11 PRINCIPLE 11

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

Risk assessment is integral to the Company's decision-making process and execution of decisions. The Group's risk governance encompasses the assessment of strategic opportunities and associated risks and the potential positive and negative effects of these risks on achieving its strategic organisational and operational objectives. While the board has ongoing oversight of the risk management process, the Group's risk governance function is delegated to the audit and risk committee on specified terms of reference, with responsibility for overseeing the executive management's implementation and execution of effective risk policies and practices.

The board's responsibility for risk governance is expressed in its charter and the risk policy and plan.

AR

The audit and risk committee makes recommendations to the board for its consideration and final approval. Its main role is to adopt and oversee a risk management policy and framework that is appropriate to the Company's operations. It assesses risks, which supports sustainable value creation for the Company.

Hyprop's risk policy includes corporate definitions of risk terms and risk management; risk management objectives; the approach and philosophy to managing risks; the identification of risks and activities to mitigate these risks and assigning specific responsibilities for the management of risks across the Company.

The board sets the levels of risk tolerance every year. As Hyprop has no chief risk officer, the risk matrix is prepared by the CEO and CFO and reported on to the audit and risk committee.

In the matrix, risks are prioritised and ranked to focus responses, mitigations and interventions. The board assesses the Company's key risks at least twice a year. This process considers risks affecting Hyprop's ability to achieve its strategic organisational and operational objectives. Significant risks that may threaten the long-term sustainability of the Company are disclosed in the integrated annual report.

IV 12

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. It confirms processes are in place to ensure timely, relevant, accurate and accessible reporting, communication and data storage. Management, in turn, is responsible for implementing and executing effective technology and information management, with oversight from the audit and risk committee.

The board recognises that information and technology (IT) governance is an integral part of Hyprop's approach to governance. Acknowledging that IT-related opportunities and risks may affect value creation, the board prioritises the importance of safeguarding Company information and intellectual capital and ensuring technology architecture is maintained to protect that information. Hyprop has an IT governance framework to effectively manage related resources in supporting its strategic objectives, deliver value and mitigate IT risk.

The board reviews and identifies possible opportunities for improved efficiencies and value creation that technology can add to business. Equally, it is conscious of risks that may arise in protecting classified information and intellectual capital.

The designated IT executive is responsible for IT and has the appropriate levels of knowledge and experience. He or she reports to the CFO on IT-related matters and interacts regularly with the audit and risk committee and executive management on IT governance matters.

IV 13

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.

Compliance with applicable laws and voluntary rules, codes and standards is the responsibility of the board, while management is responsible for implementing and executing effective compliance processes. Where the Group incurs material or repeated regulatory penalties, sanctions or fines for contravening or not complying with statutory obligations, this will be disclosed to shareholders.

The board continually monitors Hyprop's compliance with applicable laws, regulations, codes and standards, ensuring these are understood for the obligations they create, and the rights and protection they afford. This is affected through an induction process and ongoing training programmes for directors and responsible executives. Where necessary, directors have access to experts.

The board has discharged its responsibility to establish an effective compliance management framework by:

- Establishing appropriate structures, including training programmes, stakeholder communication channels and compliance measurement systems.
- Entrusting compliance to the national legal executive, risk/compliance officer and head of human resources to ensure Hyprop complies with all current regulations and legislation. They are further supported by the Company Secretary, Company's JSE sponsor and legal advisors.
- Formally tabling any areas of non-compliance through the risk management process supervised by the audit and risk committee.
- Including the property sector charter on its agenda for discussion, particularly transformation and related issues.

Legislation/regulations with which the Company is required to comply include:

- Basic Conditions of Employment Act 75 of 1997
- Broad-Based Black Economic Empowerment Act 53 of 2003
- Companies Act 71 of 2008
- Compensation for Occupational Injuries and Diseases Act 130 of 1993
- Competition Act 89 of 1998
- Constitution of the Republic of South Africa, 108 of 1996
- Consumer Protection Act 68 of 2008
- Electronic Communication Act 36 of 2002
- Employment Equity Act 55 of 1998
- Financial Intelligence Centre Act 38 of 2001
- Financial Markets Act 19 of 2012
- Income Tax Act 58 of 1962
- King IV ™
- Labour Relations Act 66 of 1995
- National Environmental Management Act 107 of 1998
- Occupational Health and Safety Act 85 of 1993
- Promotion of Access to Information Act 2 of 2000
- Property charter
- Protected Disclosures Act 2C of 2000
- Protection of Personal Information Act
- Securities Services Act 36 of 2004
- Skills Development Act 97 of 1998
- Tobacco Products Control Act 83 of 1993
- Unemployment Insurance Act 63 of 2001
- Value Added Tax Act 89 of 1991

IV 14 PRINCIPLE 14

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

The board has adopted and oversees the implementation and execution of a policy governing fair, responsible and transparent remuneration across the Group.

Responsibility for the governance of remuneration has been delegated to the remuneration and nomination committee, on specific terms of reference. Hyprop's remuneration policy is aligned with its strategic objective of creating long-term sustainable value for shareholders.

RN

The remuneration and nomination committee meets at least twice a year and all members (including its chair) are independent non-executive directors. The CEO, CFO and head of human resources, attend by invitation.

Hyprop's success depends on attracting and retaining talented, experienced and motivated individuals who can execute the Company's strategy to achieve the Company's vision. The Company uses both short and long-term incentives to achieve this.

The remuneration policy covers and addresses the remuneration of non-executive directors, executive directors, executive management (including prescribed officers) and other employees.

PHILOSOPHY

As an internally managed REIT, the objective of the remuneration policy is to promote the delivery of Hyprop's strategic objectives, encourage individual performance and reward sustainable value creation. The philosophy emphasises the role of employees in building long-term sustainable value for shareholders and compensating them through fair and balanced remuneration.

Remuneration policy key principles

- Ensure remuneration policies and practices are aligned with the Company strategy and values
- Attract and retain talented, experienced and motivated individuals who can execute the business strategy
- Link salary structures and policies to performance objectives that support sustainable value creation over the short, medium and long term
- Align long-term incentives (LTI) with the strategic objectives of the Company and the creation of long-term shareholder value, and
- Apply a fair and reasonable remuneration structure across the Company by:
  - Ensuring that non-executive directors' fees are fair, transparent and responsible
  - Ensuring that the executive directors' and executive management's remuneration is fair and responsible in the context of overall Company remuneration
  - Considering the pay ratios between executives and other staff when determining annual salary increments
  - Rewarding employees fairly, reasonably and responsibly for their contribution to the operating and financial performance of the Company
  - Identifying, investigating and addressing any remuneration disparities related to, inter alia, race and gender
  - Ensuring that guaranteed pay is based on equal pay for work of equal value
  - Ensuring that guaranteed pay for all employees is based on clear role descriptions, which are mapped and aligned with similar jobs. The Patterson job grading system is applied, with the six grades defining the employee's remuneration scale, and
  - Implementing a training plan. Various training courses are provided to create an empowered work environment.

The remuneration and nomination committee

The responsibilities of the committee are set out in a formal charter, which takes into account the recommendations of King IV, and other relevant best practice.

Remuneration structure

Element	Policy	Structure	Participation
Total guaranteed remuneration	Provide a market-related level of base pay with due regard for the responsibilities of the position. Benchmarked against industry norms and adjusted based on an employee's experience, qualifications, and the level of responsibility.	Review annually with increases effective from 1 January.	All employees
Short-term incentive	Short-term incentives, paid in cash, based on performance.	KPDs measured at property and Company level for the year as well as individual performance reviews. Annual cash payment	All employees
Long-term incentive scheme	Long-term incentives granted to attract, motivate and retain executive directors, executives, senior managers and employees with specific core, critical and/or strategic skills.	Conditional unit plan. Two components: 70% performance-based, 30% retention-based.	Executive directors, executives, senior managers and employees with specific core, critical and/or strategic skills.

The remuneration policy achieves a reasonable balance between guaranteed pay, short-term incentives and long-term incentives, and is aligned with the Group's objectives.

IV 15 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.

AR

Under set terms of reference, the audit and risk committee is responsible for overseeing that arrangements for assurance services and functions enable an effective internal control environment; support the integrity of information used for internal decisions by management, the board and its committees; and support the integrity of external reports.

The board and its committees assess the output of the Company's combined assurance framework with objectivity and professional scepticism to form their own opinion on the integrity of information and reports and the degree to which an effective control environment has been achieved.

Assurance

The Company has various processes in place to assess and independently assure financial and non-financial standards across the Group. Hyprop does not conduct separate sustainability reporting assurance.

AR **The audit and risk committee**

The audit and risk committee is responsible for overseeing the external auditors. It recommends to shareholders the appointment, reappointment and/or removal of the external auditor, and ensures Hyprop has appropriate financial reporting procedures that meet International Financial Reporting Standards (IFRS) requirements.

The committee approves the external auditor's terms of engagement and remuneration and ensures cooperation between external and internal audit to avoid overlap in audit scope.

Internal audit

The Company has a risk-based, independent and objective internal audit function provided by BDO, which reports directly to the audit and risk committee and attends all committee meetings. The committee approves the internal audit plan. The internal auditor evaluates governance processes, performs objective assessments of risk, business processes and associated operational and financial controls.

SE **Social and ethics committee**

The committee oversees and reports on activities involving corporate citizenship, community upliftment, organisational ethics and sustainable development. The committee is tasked with approving education, health, environmental and community upliftment projects, assisted by the Hyprop Foundation and Group operations and monitoring energy and water projects to decrease the Company's environmental footprint. The environmental strategy is informed by best practice, proven methods, ease of implementation, and the benefit and cost of environmentally friendly projects. Projects are evaluated based on their potential to reduce the Company's environmental impact, as well as lower operating costs, reduced liability and reduced risk of higher utility costs.

Education, health and community upliftment projects are managed through the Hyprop Foundation.

IV 16 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.

Under a governance framework between the Group and its subsidiary boards, subsidiaries are required to operate to the same ethical standards and governance framework as the Hyprop board.

Established practices ensure equal treatment of shareholders in the Group. While the board has ongoing oversight of stakeholder relationship management, responsibility for implementation has been delegated to management.

Hyprop has a transparent communication policy to enable stakeholders to assess its economic value and prospects. The Company encourages proactive engagement with shareholders, through regular meetings and presentations to investors and shareholders, as well as at AGMs, where the required directors are present to respond to shareholders' queries on how the board has executed its governance duties on a formal basis.

The board is responsible for governance and ensures that an appropriate framework is implemented across the Group. The board acts as the focal point for and custodian of corporate governance by conducting its relationship with management, shareholders and other stakeholders along sound corporate governance principles.

Hyprop's reputation hinges on its relationship with stakeholders, and this is therefore a regular board agenda item.

The process of identifying and considering the legitimate interests and expectations of stakeholders is conducted at least annually, based on formal and informal feedback received from shareholders.

The board is responsible for ensuring mechanisms and processes are in place that support stakeholders in constructive engagement with the Company. Management's priority is to determine the expectations of each stakeholder Group and respond appropriately by developing a strategy and formulating policies to manage those relationships.

Stakeholders who could materially affect Hyprop's operations are identified, their needs and expectations are assessed and considered as part of the risk management process.

The board has adopted guidelines that support a responsible communication programme, while the implementation of stakeholder management policies has been delegated to management. Complete, timely, relevant, accurate, honest and accessible information is provided to stakeholders while considering legal and strategic issues.

The board has adopted formal dispute resolution processes for internal and external disputes. The nature of the Company's dealings with stakeholders and outcomes of these dealings are disclosed in the integrated annual report.

IV 17 PRINCIPLE 17

The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests.

Not applicable, as the Company is not an institutional investor.

H

Hyprop Investments Limited
2nd Floor Cradock Heights, 21 Cradock Avenue, Rosebank, 2196
www.hyprop.co.za