



Putprop



KING IV APPLICATION

From 1 October 2017, all JSE listed companies were required to issue annual reports and circulars that apply the provisions of King IV. Putprop has accordingly benchmarked our governance practices against these principles. The below register sets out Putprop's compliance with King IV.

KING IV PRINCIPLE	APPLICATION OF PRINCIPLE
<p>1 Leadership The governing body should lead ethically and effectively.</p>	<p>The Board has approved a code of conduct and ensures that its own and management's conduct set the example for how Putprop's values are enshrined in all of its activities. Measures are in place to ensure that all Board members have sufficient working knowledge of the Group, its industry, and all key laws, rules, regulations, codes and standards.</p> <p>The Board further operates under an approved Charter, which regulates the way business is conducted in line with the principles of sound corporate governance. The Charter details the powers of the Board and provides that the Board has ultimate accountability and responsibility for the Group's performance and affairs.</p>
<p>2 Organisational Ethics 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 has assumed responsibility for the ethics of the Group by having established a code of ethics that it ensures is clearly articulated and implemented throughout the Group. The code of ethics is reviewed annually and updated where necessary to ensure that it remains relevant to the Group's activities.</p> <p>The Board ensures that compliance with the code of ethics is integrated into the strategy and operations of the Group. The Group's ethics are contained in its vision, strategies, operations, its decisions and conduct as well as the way it treats its internal and external stakeholders.</p> <p>A whistle blowing hot line has also been established which is independently managed by the Chair of the Board.</p>
<p>3 Responsible corporate citizenship The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>The SE manages the Group's corporate citizenship responsibilities on behalf of the Board through continuous oversight over the Group's activities in respect of public health, safety, the environment, social responsibility and stakeholder engagement.</p> <p>The Board ensures that the company is a responsible corporate citizen, by complying with all legislation and regulations applicable to it and allowing for time at meetings to discuss issues relating to the workplace, the economy, society and the environment.</p>
<p>4 Strategy and performance 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>The Board informs and approves strategy and ensures that the strategy is aligned with the purpose and objectives of the Group, the value drivers of its business and the legitimate interests and expectations of its stakeholders.</p> <p>An overview of the Group's short, medium and long-term goals, as well as an assessment of the Group's performance in comparison thereto, is contained on pages 14 and 16 of this report.</p>

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<p>5 Reporting 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.</p>	<p>Putprop has controls to enable it to verify and safeguard the integrity and reliability of its integrated report.</p> <p>The Board is responsible for overseeing the integrity and completeness of the integrated report and has applied its collective mind to the preparation and presentation of the report. The Board is further responsible for ensuring that the Group's reporting framework complies with the provisions of the Companies Act and the JSE Listings Requirements.</p> <p>The Board ensures that the integrated report sets out the positive and negative effects of the Group's operations on the environment and society— as well as any plans to improve the positive effects and remove or reduce the negative effects in the financial year ahead.</p> <p>The integrated report discloses details of how the board has satisfied itself that risk assessments, responses and interventions are effective.</p>
<p>6 Primary role and responsibilities The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>The Board Charter provides that the Board's role is to act as the focal point for, and custodian of corporate governance in the Group by arranging its relationship with management, the shareholders and other stakeholders of the Company along sound corporate governance principles.</p> <p>The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.</p> <p>The Board's activities in this regard are more fully set out on page 45 of this report.</p>
<p>7 Composition 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.</p>	<p>The Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence for it to discharge its roles and responsibilities objectively and effectively.</p> <p>The Board is comprised of a majority of non-executive members, all of whom are independent, and has a set target in terms of race and gender representation through its approved Race and Gender Diversity Policies.</p> <p>The Board chair is an independent non-executive director and is separate from the Chief Executive Officer (CEO).</p> <p>A schedule of other professional positions held by Board members is reviewed prior to all meetings.</p> <p>Periodic rotation of directors is provided for in Putprop's Memorandum of Incorporation (MOI).</p> <p>Further to the above the Board Charter encapsulates that a formal induction programme is established for new directors and that inexperienced directors are developed through mentorship and training programmes.</p>
<p>8 Committees 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.</p>	<p>While the Board remains accountable and responsible for the performance and affairs of the Group, Board committees assist the Board in discharging its duties and responsibilities. These committees do not however, in any way, mitigate or discharge the Board of its duties and responsibilities.</p> <p>Board committees observe the same rules of conduct and procedures as the Board, unless the Board determines otherwise. The Board has constituted the following Committees: AR, SE and RNHR. Each committee has a formally determined and Board approved charter, containing clearly agreed upon reporting procedures and a written scope of authority, which is reviewed annually and approved by the Board.</p> <p>The Board ensures that suitable candidates, who have suitable qualifications, from within its structures are appointed to the above committees, so as to achieve their respective objectives.</p>

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<p>9 Evaluations of the performance 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.</p>	<p>The Board determines its own role, functions, duties and performance criteria as well as that for directors and board committees. An annual effectiveness self-evaluation is undertaken in respect of the board and its sub-committees and for the year under review, the board satisfied itself that it and its sub-committees operated effectively.</p> <p>In addition, the Chair also ensures that the Board operates effectively by regularly engaging with the non-executive directors on their performance and other matters that may need to be raised with Exco. Any pertinent matters of concern are conveyed by the Chair to the CEO and filtered down to Exco.</p> <p>The Board is satisfied that the evaluation process is improving its performance and effectiveness.</p>
<p>10 Appointment and delegation to management 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.</p>	<p>The CEO is responsible for executing the Group's strategy and periodically reports to the Board in this regard.</p> <p>The Board is satisfied that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.</p> <p>The company secretary is empowered and authorised to provide corporate governance services to the Board and management. The Board is of the view that this arrangement is sufficient.</p>
<p>11 Risk governance The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.</p>	<p>The AR assists the Board in respect of the governance of the Group's risk tolerance and risk appetite. The implementation and execution of risk management has been delegated to the Executive, however, the Board exercises continuous oversight in this regard.</p> <p>The Board's responsibility for risk governance is expressed in its Charter as well as the Board approved Risk Management Policy.</p> <p>The Board, through the AR, ensures that appropriate risk management programmes are in place and monitors their implementation against key risk indicators.</p> <p>Each year the Board evaluates the Group's risks against current realities and resets risk tolerances as and when necessary.</p> <p>An overview of the arrangements for governing and managing risk is included in the AR report contained on pages 46 to 49 of this report.</p>
<p>12 Technology and information governance The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>The AR assists the Board in respect of technology and information governance. The implementation and execution of the technology and information framework has been delegated to the Executive, however, the Board exercises continuous oversight in this regard.</p> <p>Management regularly demonstrates to the Board that Putprop has adequate business resilience arrangements in place for disaster recovery.</p>
<p>13 Compliance governance 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.</p>	<p>The Board ensures compliance with all relevant South African legislation, including REIT, King IV and JSE Listings Requirements. Compliance with laws, rules, regulations and relevant codes is integral to the Group's risk management process and key to ensuring that it achieves its strategy. The AR is responsible for ensuring that an appropriate compliance framework is in place and that non-compliance is reported. The SE has also been mandated to monitor the effectiveness of compliance management.</p>

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<p>14 Remuneration governance 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.</p>	<p>The Board, assisted by the RNHR, oversees the establishment of a remuneration policy that will promote the achievement of strategic objectives at all levels in the Group and encourage individual performance. The Board reviews the outcomes of the implementation of the remuneration policy on an annual basis.</p> <p>Non-binding advisory votes in respect of the Group's remuneration policy and remuneration implementation reports are placed before shareholders at the Annual General Meeting of the company. In the event that either of these are voted against by 25% or more of the voting rights exercised at the Annual General Meeting, the Board engages with dissenting shareholders to address legitimate and reasonable objections and concerns.</p>
<p>15 Assurance 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.</p>	<p>The Board is responsible for the management of the Group's systems in respect of internal control and risk management and evaluates the adequacy and effectiveness of these processes. Internal controls are established not only in respect of financial matters, but also operational, compliance and sustainability issues. The Board, through the board committees and external assurance providers, operates within the confines of the JSE Listings Requirements, the Companies Act, King IV and the integrated reporting framework to determine the approach and direction of external reporting.</p> <p>The AR ensures the efficiency and profitability of operations, the reliability of information, and adherence to rules and regulations.</p> <p>The independent external auditor is responsible for reporting on whether the Annual Financial Statements are fairly presented in compliance with IFRS and the Companies Act.</p> <p>The SE is responsible for providing assurance in respect of Putprop's B-BBEE certification, health and safety issues, whistle-blowing, corporate social investment and other sustainability issues.</p> <p>The Board and its committees rely on management's knowledge and expertise of the various areas requiring assurance in order to scrutinise and validate the results of all external reports.</p>
<p>16 Stakeholders 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.</p>	<p>Stakeholders have been identified as one of the Group's four key strategic pillars, therefore the Board has adopted a stakeholder-inclusive approach which carefully considers legitimate and reasonable stakeholder risks and concerns when reviewing and refining strategy.</p> <p>The CEO and the Chief Financial Officer (CFO) continuously engage with key financial audiences, particularly investors and analysts. Each stakeholder is communicated with through various channels such as SENS announcements, circulars and periodic reports, and feedback is encouraged in writing, telephonically or via the website.</p>