



**GRIT REAL ESTATE INCOME GROUP LIMITED (“GRIT”)**

**KING IV APPLICATION REGISTER 2017**

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The purpose of this register is to provide an overview of the application by Grit of the principles contained in the King Report on Corporate Governance 2016 (King IV). The register should be read in conjunction with the documents cross-referenced below, all of which are available on the Company's website at [www.grit.group](http://www.grit.group)

### **PRINCIPLE 1**

#### **Leadership: The Board should lead ethically and effectively**

The Board of Directors of Grit constitutes the governing body and the directors are committed to the good corporate governance principles as set out in King IV. Grit's values of commitment, integrity and responsibility guide the behavior of how everyone goes about their daily routines.

The responsibilities of the Board, include providing effective leadership based on an ethical foundation.

The Board Charter outlines the policies and practices of the Board on matters such as directors' dealings in securities of the Company and declarations of conflicts of interest. Grit's directors, executives and senior employees are prohibited from dealing in Grit securities during certain prescribed periods. Board members are under a legal duty to prevent conflicts of interest with the Company and are obliged to make full disclosure of any areas or potential areas of conflict prior to any consideration or discussion by the Board of such items and may not take part in any discussions on such matters, being obliged to excuse themselves from any Board meeting while such discussions are in progress.

The Board exercises control through the governance framework of the Company which includes detailed reporting to the Board and its committees, Board reserved decision-making authority and a system of assurances on internal controls.

To ensure that the Company's leadership is effective, Board, committee, or senior executive appointments are proposed by the Remuneration and Nomination Committee ("REMCO") to ensure an appropriate mix of skills and independence of thought. Board members collectively possess a wide range of financial, commercial and technical knowledge, together with experience in the industry and jurisdictions within which Grit operates.

New directors appointed to the Board are given an appropriate induction into the Business and affairs of the Group and into the duties of any committee on which they may be appointed to serve.

Annual performance/effectiveness assessments of the Board and its members, the Audit committee, the Risk Committee, the Remuneration and Nomination committee ("REMCO") and the Investment committee were undertaken during the review period. The results of the assessments were satisfactory. In the Boards continuous commitment towards good corporate governance, a new appointment of an independent non-executive director has been proposed for shareholder approval at the annual general meeting which is scheduled to be held on 24 November 2017.

## **PRINCIPLE 2**

### **Organisational ethics: The Board should govern the ethics of the company in a way that supports the establishment of an ethical culture**

The ultimate responsibility for the governance of ethics lies with the Board. The Board determines and sets the tone for Grit's values and the requirements of being a responsible corporate citizen.

The Board, assisted by its committees is committed to maintaining an ethical culture and strives to ensure compliance with all applicable legislation and regulations, leading standards and with its own Code of Ethics.

Management has been delegated the responsibility for implementation and execution of the Code of Ethics and the Board exercises ongoing oversight of the management of ethics, monitoring Grit's activities with regard to ethics and ensuring it is integrated in the operations of the Company. The Code guides interaction with all stakeholders of the Group, including employees and it commits Grit and its employees to the highest ethical standards of conduct and amongst others regulates aspects of confidentiality, non-discrimination, the acceptance of gifts, bribes and political contributions.

A Social and Ethics committee is in the process of being formally set up. The Board will then delegate the responsibility for monitoring the overall responsible corporate citizenship performance of the Company to the Social and Ethics committee. Post the appointment of new directors at the AGM scheduled to take place on 24<sup>th</sup> November 2017, the members of the Social and Ethics committee will be recommended by REMCO to the Board.

## **PRINCIPLE 3**

### **Responsible corporate citizenship: The Board should ensure that the company is and is seen to be a responsible corporate citizen**

The Board approves the strategy and priorities of the business in accordance with its role of overseeing the Company's conduct as a good corporate citizen. The Board, with the support of the CEO and together with the management team oversees and monitors how the operations and activities of the Company affect its status as a responsible corporate citizen. It is the responsibility of the Board to ensure that the consequences of the Group's activities do not adversely affect its status as a responsible corporate citizen in the areas of workplace and the geographical jurisdictions within which it operates, with due regard to social and environmental issues. Following the scheduled AGM on 24 November 2017, the Social and Ethics Committee will be formed and appropriately composed and will assist the Board in its responsibility to ensure that the Company is a responsible corporate citizen.

#### **PRINCIPLE 4**

**Strategy and performance: The Board should appreciate that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process**

The directors individually and together assist the Group to realise its strategic objectives, to manage risks and opportunities that could threaten or enhance the Group's ability to provide sustainable long-term growth to stakeholders, to maintain and enhance efficiencies within the Group's businesses and to support the people who rely on its businesses. The sustainability of the Group's businesses is a key consideration in the development and implementation of the Group's business model. The Board oversees and monitors, with the support of its Committees, the implementation and execution by management of the policies and priorities and ensures the Company accounts for its performance by, amongst others, reporting and disclosure.

More details regarding the Company's performance against its strategic objectives are reported in the Integrated Report.

#### **PRINCIPLE 5**

**Reporting: The Board should ensure that reports issued by the company enable stakeholders to make informed assessments of the company's performance, and its short, medium and long-term prospects**

The Board, through the Audit Committee, assumes responsibility for the integrity and transparency of the Company's reporting and any other disclosures and oversees the issue of the Company's annual financial statements and integrated reports. The Company complies with all required disclosures. Reporting frameworks and materiality are approved by the Audit Committee to ensure compliance with legal requirements and relevance to stakeholders.

The Audit Committee oversees the integrated reporting process and reviews the audited financial statements. The integrated report provides stakeholders with information relating to the Group's performance. Information is also made available to stakeholders via roadshows, investor conferences and on the Company's website [www.grit.group](http://www.grit.group). Press releases, publication of external reports, announcements on the SEM, releases on SENS for the JSE, requires the prior approval of Grit's CEO.

Grit's integrated annual report is published annually and available online on [www.grit.group](http://www.grit.group) and in printed form.

## PRINCIPLE 6

### **Primary role and responsibilities of the Board: The Board should serve as the focal point and custodian of corporate governance in the company**

The Board has an approved Charter which it reviews annually. The Charter sets out its governance responsibilities, including the role, responsibilities, membership requirements and procedural conduct. Through the REMCO, the Board implements and monitors the governance of the Group.

The Board as well as any director or Committee may obtain independent, external professional advice at Grit's expense concerning matters within the scope of their duties and the directors' may request documentation from and set up meetings with management as and when required.

Grit's corporate governance practices and governance framework are disclosed in the Integrated Report which is published on the Company's website [www.grit.group](http://www.grit.group)

## PRINCIPLE 7

### **Composition of the Board: The Board 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, with assistance from REMCO, considers on an annual basis its composition in terms of balance of skills, experience, diversity, independence and knowledge and whether this enables it to effectively discharge its role and responsibilities. The Board is satisfied that there is a balance of skills, experience, diversity, independence and knowledge needed to discharge its role and responsibilities. The Board, in its commitment to further enhance good corporate governance is appointing a further independent non-executive director, Ms. Catherine McIlraith, at the upcoming AGM on the 24<sup>th</sup> November 2017 – details can be seen in Annexure 5 to the Notice of AGM.

The process for nomination, election and appointment of board members is formal and transparent, as outlined in the Corporate Governance Report in the Integrated Report. The Board, as a whole considers and, if appropriate, approves recommendations of the REMCO, subject to shareholder approval.

New directors appointed to the Board are given an appropriate induction into the business and affairs of the Group and into the responsibilities of any committee(s) on which they may be appointed to serve.

The succession plan of directors is reviewed annually by REMCO.

A brief CV for each director standing for re-election can be viewed on pages 52 and 53 of the Integrated report. To note that Jacqueline van Niekerk will not be standing for re-appointment due to work commitments. Mrs Nomzamo Radebe is being proposed as an eloquent replacement, a brief CV may be seen in Annexure 5 to the Notice of the AGM.

Grit's Gender Diversity Policy is available on its website [www.grit.group](http://www.grit.group)

## **PRINCIPLE 8**

**Committees of the Board: The Board 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**

Committees have been established to assist the Board in discharging its responsibilities. The committees of the Board comprise the Audit committee, the Risk Committee, the Remuneration and Nomination Committee and the Investment Committee. Following the AGM scheduled on the 24 November 2017, the Social and Ethics committee will be formally composed. These committees assist the Board to effectively discharge its duties. The Board considers the allocation of roles and responsibilities and the composition of membership across Committees so as to achieve a balanced distribution of power in respect of membership across Committees, so that no individual has the ability to dominate decision making, and no undue reliance is placed on any individual. Each committee has a formal Charter detailing its terms of reference. These Charters are approved by the Board and reviewed annually. External advisors, executive directors and members of management attend Committee meetings by invitation.

The composition of these Committees is detailed in the Corporate Governance Report in the Integrated Report.

Board Charters can be viewed on the Company's website [www.grit.group](http://www.grit.group)

An Executive committee has been established with the primary responsibility for assisting and advising the CEO in implementing the strategies and policies determined by the Board and in managing the business and affairs of the Group.

## **PRINCIPLE 9**

**Evaluations of the performance of the Board: The Board 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 Nomination and Remuneration committee evaluates the effectiveness and performance of the Board, its Committees and the individual directors annually. The Chairman of the Board, through the committee and assisted by the Company secretary, leads the evaluation process. The overview of the evaluation results is that there were no issues raised and the contribution, value and participation was considered satisfactory and positive. The skills represented on the Board were also assessed to be well balanced.

An assessment of the suitability and effectiveness of the Chief Financial Officer is conducted annually by the Audit Committee and is confirmed in the Audit Committees report in the integrated report.

## **PRINCIPLE 9 continued**

The performance and independence of the Company secretary is evaluated by the Board on an annual basis and the Board has satisfied itself as to the appropriateness of this appointment and as to the arms-length nature of this appointment and no major issues or concerns have been identified.

The appointment of the Chairman is reviewed by the Board on an annual basis.

The performance of the Board, its committees and the directors are disclosed in the Integrated Report. The role and responsibilities of the Board, its Committees, the Chairman and the directors are outlined in the Board Charter which is available on the Company's website [www.grit.group](http://www.grit.group)

## **PRINCIPLE 10**

**Appointment and delegation to management: The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities**

The Chief Executive Officer has a clearly defined role and, assisted by the executive committee, is responsible for implementation and execution of the Group strategy and the overall management and performance of the Group, consistent with the primary aim of enhancing long-term shareholder value.

The Board evaluates the performance of the CEO annually against agreed performance measures and targets.

To provide continuity of executive leadership, succession planning is in place for the chief executive officer, executive management and other key positions. Succession plans are regularly reviewed.

While the Board has delegated certain powers and authorities to Board committees and executive management, the ultimate responsibility for retaining full and effective control of the Group lies with the Board. Decisions on strategy and other material matters are reserved for the Board.

The Board is satisfied that Grit is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.

## **PRINCIPLE 11**

**Risk governance: The Board should govern risk in a way that supports the organization in setting and achieving its strategic objectives across the Group in order to achieve its strategic objectives.**

The Board has direct responsibility for the governance of risk by setting the direction for how risk is to be approached and addressed. The Risk committee assists and supports the

Board with the governance of risk. The Board is aware of the importance of risk management as it is interrelated to the strategy, performance and sustainability of Grit. The risk committee implements a process whereby risks to the sustainability of the Company's business are identified and managed within acceptable parameters. The risk committee delegates to management to continuously identify, assess, mitigate and manage risks within the existing and everchanging risk profile of Grit's operating environment. Grit is committed to effective risk management in pursuit of its strategic objectives, with the ultimate aim to grow value sustainably for all stakeholders by embedding risk management into key decision-making processes. The risk committee is responsible for ensuring the effective monitoring of the Group's top risks. The Board approves Grit's top risk profile and financial risk appetite and tolerance levels, ensuring that risks are managed within these levels and considers the risk environment from time to time, as deemed appropriate and based on materiality and changes in the external and internal environments. The Risk committee assists the Board to oversee the risk management processes within the group and the risk committee plays an integral oversight role in ensuring the ongoing effectiveness of these processes. The risk committee assists the Board by providing an independent and objective view on the Group's financial, accounting and control mechanisms and policies, information systems and internal controls, the going concern status of the Group and compliance with all relevant statutory requirements.

## **PRINCIPLE 12**

### **Technology and information governance: The Board should govern technology and information in a way that supports the organization setting and achieving its strategic objectives**

The Board is ultimately responsible for governance of technology and information which is a key factor in the Board setting and achieving its strategic objectives. The Board is assisted by the Risk committee who identify and review ICT risks. The Board is aware of the importance of technology and information as it is interrelated to the strategy, performance and sustainability of Grit.

Subject to compliance with policies and directives, executive management is responsible for:

- Establishing and maintaining strict standards of corporate conduct relating to the use of ICT
- Monitoring, assessing and managing the security of information
- Ensuring that business continuity arrangements are in place to allow for the business to continue in the event of a significant incident and disruptions to ICT.

## **PRINCIPLE 13**

**Compliance governance: The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organization being ethical and a good corporate citizen**

Responsibility for the implementation and execution of the effective compliance management is delegated by the Board to management. The Board however retains ultimate responsibility for compliance with applicable laws, adopted non-binding rules, codes and standards.

Any material incidences of non-compliance and/or significant fines or penalties incurred are reported to the Board and/or the Audit committee to ensure appropriate remedial action is taken.

Relevant new legislation or regulations introduced from time to time are brought to the attention of the respective committee and its members to ensure that compliance requirements are kept up to date.

During the review period, there were no material findings of non-compliance with applicable legislation or regulations and there were no criminal sanctions or prosecutions. Given the diversity of the Group's operations and of the legislation and regulations attaching thereto, there were no particular areas of focus during the review period, other than to ensure that the Group continues to operate as a responsible corporate citizen.

## **PRINCIPLE 14**

**Remuneration governance: The Board should ensure that the organization 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 Board assumes responsibility for the governance of remuneration and sets the direction for remuneration across the Group.

The Board has appointed a Remuneration and Nomination Committee ("REMCO") to ensure that the Group's executives, managers and employees are fairly rewarded for their individual and joint contributions to the Company's performance. REMCO also ensure that the Company remunerates fairly, responsibly and transparently in the context of overall remuneration in the Group to enable the Company to achieve its strategic objectives and to secure positive outcomes in the short, medium and long term. The Board has approved a Remuneration policy. The main provisions of this policy are disclosed in the REMCO report in the Integrated Report. T

he remuneration policy together with the Implementation Report, will be presented to shareholders at the Company's annual general meeting to be held on 24 November 2017 for a non-binding, advisory vote by shareholders.

## **PRINCIPLE 15**

**The Board 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 Board sets the direction for assurance services and functions but the responsibility for overseeing such arrangements is delegated to the Audit Committee, which is charged with supporting the integrity of information for internal decision-making use and for external reports.

A combined assurance model has been developed and formally implemented to effectively cover the Group's significant risks and material matters. The model includes but is not limited to the Company's outsourced internal audit function, its risk management and compliance functions, the external auditors and regulatory inspectors, together with such other external assurance providers as may be appropriate. The model also includes the Company Secretary, which provides assurance on aspects of corporate governance and the SEM and JSE sponsors who advise on the SEM Listing Rules and the JSE Listings Requirements respectively.

An internal audit Charter is in place and outlines the responsibilities of the internal audit function. The Audit committee has been delegated the responsibility for overseeing that assurance services are executed in line with the charter. The internal audit function has been outsourced to Grant Thornton.

The Audit Committee has satisfied itself as to the independence of BDO, the external auditors.

## **PRINCIPLE 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 organization over time**

The Board determines the direction on stakeholder relationships and delegates to management the responsibility for implementation and execution thereof.

It is business critical that Grit understands and is responsive to the needs and interests of its key stakeholder groups which includes: shareholders, investment analysts, tenants, employees, Governments and regulators, financiers, suppliers and service providers and the media. The individual stakeholders within these groups are highly diverse and therefore Grit is constantly seeking to improve the way in which it engages with its stakeholders to effectively respond to this complexity and diversity.

For further details on Grit's comprehensive stakeholder relationships and how we engage with stakeholders refer to the Integrated Report.