GROWTHPOINT
PROPERTIES

2020
INTEGRATED ANNUAL REPORT

AT A GLANCE

506
High quality physical property assets

R166.7bn
Group property asset value

7 092 589 million
Square metres of space

REIT
Largest South African primary listed

Diversified
Sector – Retail, Office, Industrial
Geography – South Africa, Poland, Romania, Australia and United Kingdom

11th year
Inclusion in the FTSE/JSE Responsible Index

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https://www.youtube.com/c/GrowthPointBroadcast

OUR REPORTING SUITE

GROUP ANNUAL FINANCIAL STATEMENTS (AFS)
The statutory AFS prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Council, the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the Companies Act 2008, as amended.

INTEGRATED ANNUAL REPORT (IAR)
The IAR incorporates an overview of our organisation and its key strategic matters, performance and governance. The IAR should be read in conjunction with the AFS, which together provide a comprehensive overview of our organisation.

ANNUAL GENERAL MEETING (AGM) NOTICE
The booklet containing the AGM notice also includes the summarised audited AFS for FY20, relevant extracts from the IAR supporting the notice and the report to shareholders by the Social, Ethics and Transformation Committee.

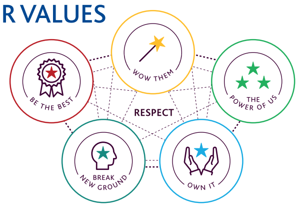
ESG REPORT
The booklet containing additional information relating to environmental, social and governance elements.

CONTENTS

HOW TO NAVIGATE OUR REPORT

The following icons are used throughout our integrated report to show connectivity between sections:

OUR VALUES



STRATEGIC THRUSTS

INTERNATIONALISATION
OPTIMISING AND STREAMLINING THE RSA PORTFOLIO
INTRODUCING NEW REVENUE STREAMS

CAPITALS

FINANCIAL
HUMAN
INTELLECTUAL
MANUFACTURED
SOCIAL
NATURAL

PROPERTY SECTORS

RETAIL
OFFICE
INDUSTRIAL

This icon denotes cross-referencing and further reading between sections

ABOUT THIS REPORT

INTEGRATED REPORTING JOURNEY

Growthpoint first issued an integrated annual report (IAR) in FY10. The reports in subsequent years, as well as the current year, have evolved and been refined to reflect developments in integrated reporting, particularly those advocated by the International Integrated Reporting Council (IIRC), the most significant being the International Integrated Reporting Framework.

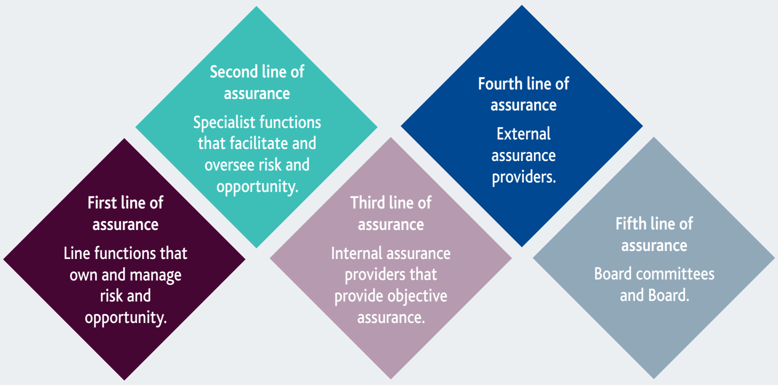
GUIDING PRINCIPLES

- Strategy
- Governance
- Stakeholder responsiveness
- Performance
- Prospects

ASSURANCE

Growthpoint has a combined assurance model to enable its Audit Committee to express the view that it is satisfied that suitable assurance has been obtained for all material statements made in the IAR.

The following lines of assurance have been identified:



While the IAR is not audited, it contains information from the annual financial statements (AFS), on which an unmodified audit opinion has been expressed. Where information has not been derived from the AFS, the Audit Committee has obtained assurance with regard thereto by reviewing information from first line providers of assurance that has been checked by second and third line assurance providers, and by interacting with persons acting in an *ex officio* capacity who attended the special Audit Committee meeting convened to discuss the IAR.

RESPONSIBILITY STATEMENT

The Audit Committee and management acknowledge their responsibility to ensure the integrity of this report. The Audit Committee has applied its mind to the report and believes that it addresses all material issues and presents fairly the integrated performance of the organisation.

This report was approved by the Audit Committee on 6 October 2020 and is signed on its behalf by:

R Gasant
Chairman of the Audit Committee

LN Sasse
Group Chief Executive Officer

Ethics

The Growthpoint code of ethics has been approved by the Board of Directors (the Board) and is binding on every employee, officer, director, contractor and supplier and on all officers and directors of any entity which is owned or controlled by Growthpoint.

The core values articulated in this code provide a firm and unshakeable foundation on which our organisational culture is built. Nonetheless, the code is a dynamic document which is constantly evolving as we strive for even higher standards. We at Growthpoint are committed to upholding and enforcing the standards articulated in this code and we will reconsider our dealings with individuals or entities not demonstrating the same level of commitment to organisational integrity.

Every employee, director and officer of Growthpoint accepts that any breach of the code of ethics exposes them to the possibility of disciplinary action, which could result in the termination of employment or office on the basis set out in the disciplinary codes. These procedures are available upon request.

Forward looking statements

The IAR contains certain statements that are forward looking. By their very nature, such statements cannot be considered guarantees of future outcomes as they are dependent on events and circumstances, the predictability of which is uncertain and not necessarily within the organisation's control.

MATERIALITY AND THE REPORTING BOUNDARY

Report scope and boundary

This report covers the period from 1 July 2019 to 30 June 2020 (FY20) for the financial reporting entity Growthpoint Properties Limited. The report provides an overview of the operations and performance of all businesses, which encompass the South African businesses, including its share in the V&A Waterfront (V&A), Funds Management and Trading and Development, as well as its non-South African interests, which include its share in Growthpoint Properties Australia (GOZ) , Globalworth Real Estate Investments (GWI), Growthpoint Investec African Properties (GIAP) and Capital & Regional (C&R). These businesses have been depicted in a simplified ownership and legal structure on page 21.

Information represented in this report provides a holistic view of the business strategy, the drivers thereof and the various elements influencing the sustainability and success of the company. Given the nature of the business and its strategic aspirations, the report has identified elements that are pertinent to the organisation and its stakeholders and which contribute to the creation of value for the business. Materiality determination and the reporting boundary were informed by key stakeholder matters and ongoing stakeholder engagement, including non-financial items beyond the scope of reporting on entities that could have a significant effect on the company's ability to create and sustain value over time.

These include:

- Organisational strategy and progress
- Governance
- Management and employee contributions
- Operational management and developments
- Contribution to society
- Approach to and integration of environmental issues
- Financial factors and indicators
- Group investments

Each area of business is linked to the business strategy with both opportunities and risks identified. We have provided an indication of our approach to dealing with these factors in the short, medium and long term, as well as their likely impact on the different capitals. We remain cognisant of external elements that influence our business context and have commented thereon from our perspective. Information regarding the social, economic, environmental and governance issues that could have a material impact on the long-term success of the business and that are important to key stakeholders is provided. Details on the performance of international investments in relation to ESG can be found in the respective geographic entity reports.

The report focuses primarily on meeting the needs of shareholders, analysts and investors who wish to make an informed assessment of Growthpoint's ability to achieve its mission to create value for all our stakeholders through innovation and sustainable property solutions.

This report is part of a suite of reports issued at the financial year end and should be read in conjunction with the AFS, AGM notice and the ESG report.

SEND US YOUR FEEDBACK

To ensure that we report on issues that matter to our stakeholders, please provide any feedback and questions to: info@growthpoint.co.za

Scan the QR code to gain quick access to our website.

HOW WE PERFORMED IN 2020

FINANCIAL HIGHLIGHTS

EBIT FROM OFFSHORE

28.2%
Increase from 23.3% at FY19

2 307 SA REIT NAV CENTS PER SHARE

(7.6%)
decrease from FY19

OFFSHORE ASSETS

40.8%
Increase from 30.3% at FY19

TOTAL PROPERTY ASSETS

R166.7bn
18.7% increase from R140.4bn at FY19

Investment proposition

- Growing international footprint
- Diversified across international geographies and sectors
- Quality of earnings, underpinned by high-quality physical property assets
- Dynamic and proven management track record
- Best practice corporate governance
- Transparent reporting
- Level 2 B-BBEE contributor
- Attractive ESG investment

GROUP PROPERTY ASSETS

43.9% LTV
Increased from 36.7% at FY19

RSA INTEREST COVER

3.4x
2020

2019: 3.8x

GLOBAL SCALE MOODY'S RATING

Ba1

2019: Baa3

NATIONAL SCALE RATING FROM MOODY'S

Aa1.za

2019: Aaa.za

FINANCIAL

CSR IMPACT

COLLECTIVE INVESTMENT IN CSR

R44.1m
2020

HUMAN

CSR IMPACT

VALUE OF SCHOLARSHIPS TO EMPLOYEES' CHILDREN

R4.8m
2020

SOCIAL

CSR IMPACT

TOTAL NUMBER OF BENEFICIARIES

13 308
2020

INCLUSION IN FTSE/JSE RESPONSIBLE INDEX

11th year
2020

2019: 10th year

MARKET CAPITALISATION

R40.4bn
2020

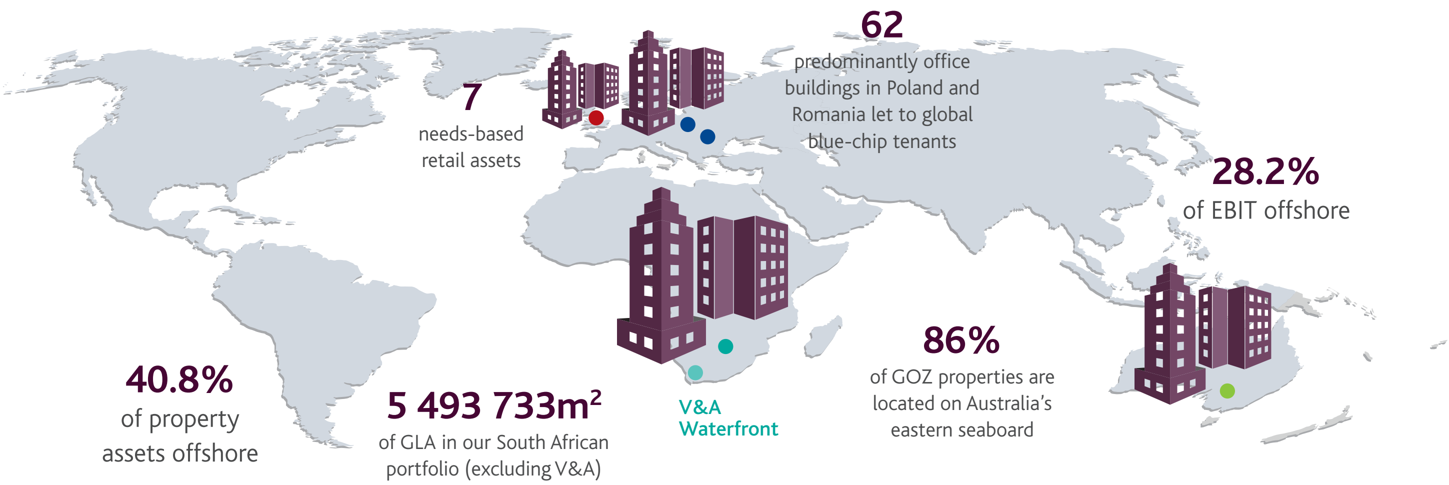
2019: R72.1bn

INCLUDED IN MAJOR SUSTAINABILITY INDICES:

FTSE/JSE Responsible Investment Index, Dow Jones Sustainability Index (DJSI), FTSE4Good Emerging Index

OUR FOOTPRINT

Our retail, office and industrial property portfolios in South Africa are among the country's largest. We have an interest in 58 properties in Australia through our 62.2% investment in Growthpoint Properties Australia (GOZ), 62 properties in Central and Eastern Europe through our 29.4% investment in Globalworth (GWI) and seven community shopping centres in the UK through our 52.1% investment in Capital & Regional (C&R).



South Africa

The operating environment is tough on the back of the depressed macro-economic conditions. With a lack of growth drivers, and an absence of any catalyst for change, property fundamentals will remain under pressure and are expected to deteriorate further.

Australia

86% of GOZ properties are located in the growth states on Australia's eastern seaboard, in the favoured office and industrial sectors, where property fundamentals remain strong. GOZ also has a development pipeline which is expected to deliver above-average returns.

Romania and Poland

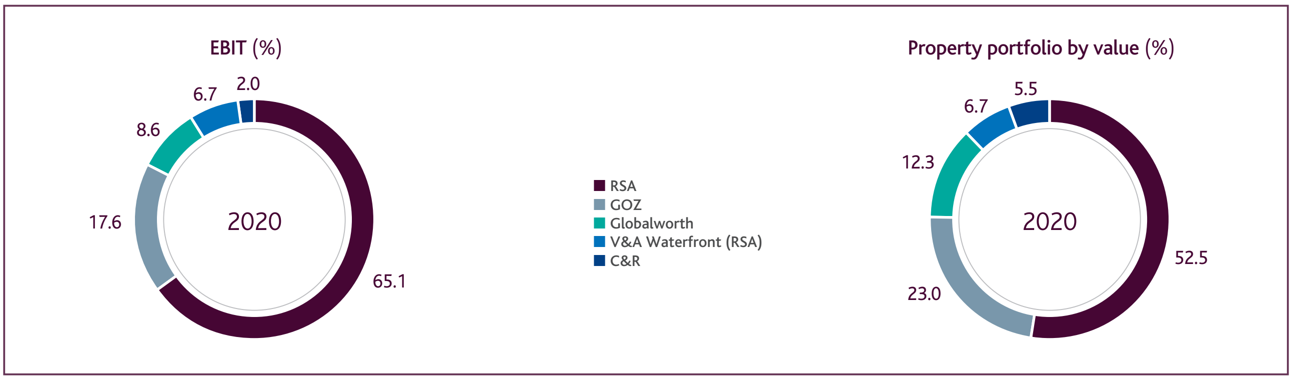
Romania and Poland are prime destinations for business process outsourcing and shared service centres given the dynamic and highly skilled labour force coupled with competitive wages.

Both regions have strong macro-economic environments and robust property fundamentals.

GWI has accretive development and acquisition opportunities.

United Kingdom

During the year, Growthpoint expanded its international footprint with a 51.1% investment in C&R for R2.9bn. At FY20 we have a 52.1% investment. The UK REIT owns a portfolio of seven needs-based, community shopping centres, that are dominant in their catchment areas, with a value of GBP657m.



HOW WE CREATE VALUE

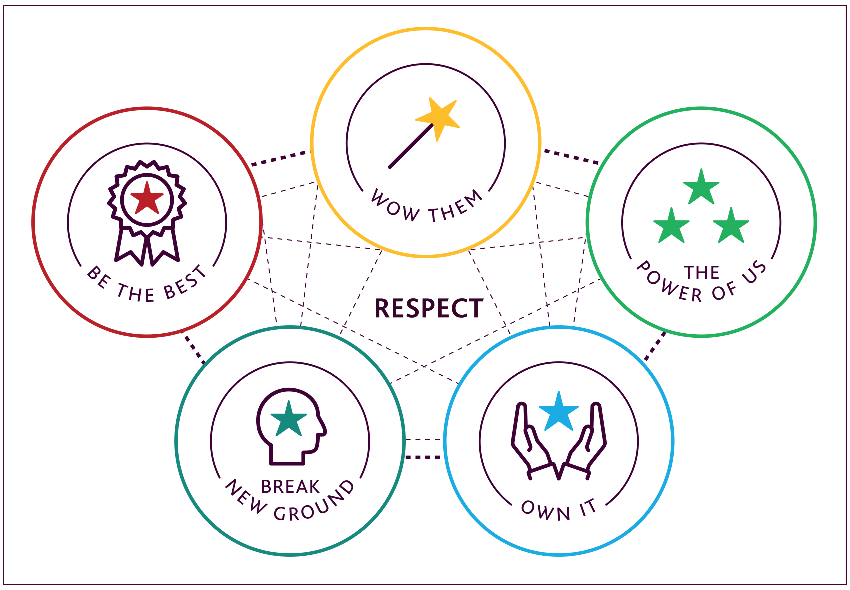
Our vision

To be a leading international property company, providing space to thrive.

Our mission

We create value for all our stakeholders through innovative and sustainable property solutions.

Our values



Growthpoint has operated as a Real Estate Investment Trust (REIT) from 1 July 2013. The REIT structure is a tax regime that provides "flow through" on a pre-tax basis of the net property income to investors in the form of a taxable dividend.

It is the most prevalent structure for investment in property in international jurisdictions. As investment in listed property continues to globalise, the REIT structure has become a recognised international standard.

REIT distribution

In terms of the dividend and dividend withholding tax provisions of the Income Tax Act, read in conjunction with section 25BB of the Income Tax Act, distributions received from a REIT will be taxed in the hands of the shareholder as follows:

RESIDENT SHAREHOLDERS	NON-RESIDENT SHAREHOLDERS
Dividends received by resident shareholders are taxed as income in the hands of the recipient, but are exempt from dividend withholding tax.	Dividends received by non-resident shareholders are not taxed as a dividend for income tax purposes as the dividends are exempt in terms of the usual dividend exemptions, but are, however, subject to dividend withholding tax.

Shareholders are encouraged to consult their professional tax advisers if they are in any doubt about the tax implications for distributions received from Growthpoint.

OUR GROWTHPOINT STORY

1987

Incorporated as a public company.

Listed as public company on the "Financial – real estate" sector of the JSE – with 17 properties valued at R90.1m.

2001

Mines Pension Fund (MPF) reversed their listed property assets into Growthpoint for a total purchase of R1.5bn.

2002

Growthpoint merged with Primegro Properties Limited (Primegro) by way of acquiring all Primegro's assets to the value of R2.5bn.

2004

Growthpoint acquired the Investec Bank Limited buildings in Sandton and Cape Town for R995m.

2005

Acquisition of a portfolio of 48 office, industrial and retail properties and one hospital from Tresso Trading 119 (Pty) Ltd for a total of R1.2bn.

2006

Acquisition of a further 23 office, industrial and retail properties from Tresso for a total of R1.4bn.

Acquisition of R2.4bn industrial property fund Metboard Properties Limited.

2007

Acquisition of R3.4bn Paramount portfolio.

Growthpoint acquired property asset management and property administration business of IPG for R1.6bn.

2008

Acquired R3.4bn worth of properties.

2009

Acquired 50.1% in Australian listed Orchard industrial property fund, now Growthpoint Properties Australia Limited (GOZ).

Increased investment in GOZ to 76.2% – total investment R1.3bn.

2011

Acquisition of 50% interest in the V&A Waterfront for R5bn.

2013

Real Estate Investment Trust (REIT) status granted by the JSE (previously Property Loan Stock).

2014

Acquisition of 100% of the issued shares in Abseq Properties (Pty) Ltd, owning 17 properties for R360m.

Acquisition of 100% of the issued shares in Tiber Property Group (Pty) Ltd, owning 38 properties.

Acquisition of an interest of 34.9% in Acucap Properties Limited and 31.5% in Sycom Property Fund.

2015

Acquisition of the remaining shares in Acucap and Sycom Property Fund Managers.

2016

Acquired 26.9% of AIM-listed Globalworth Real Estate Investments (GWI) for EUR186.4m.

2017

Established R2.3bn Healthcare Fund. Four hospitals and one medical suite.

2018

Invested a further EUR110m in GWI and EUR150m in Globalworth Poland Real Estate (GPRE).

2019

GWI acquired more than 99% of GPRE putting Growthpoint's ownership of GWI at 29.8%.

Invested USD50m into Growthpoint Investec African Properties (GIAP).

Acquisition of 51.1% of C&R for R2.9bn. Currently own 52.1%.

ORGANISATIONAL OVERVIEW

Our retail, office and industrial property portfolios in SA are among the country's largest.

- We have an interest in **58 properties in Australia** through our 62.2% investment in Growthpoint Properties Australia (GOZ)
- **62 properties in Central and Eastern Europe** through our 29.4% investment in Globalworth (GWI)
- **Seven community shopping centres in the UK**, through our 52.1% investment in Capital & Regional (C&R)

STRATEGIC THRUSTS

Our three stated strategic thrusts, which are aligned with our vision **"to be a leading international property company providing space to thrive"**, remained our focus in FY20 and we made good progress in the first three quarters of the financial year. The Covid-19 lockdown commencing at the beginning of our fourth quarter compelled us to focus on managing business operations during an uncertain time.

Internationalisation

Offshore growth

With the weakening domestic macro-economic environment, the growth of our offshore business remains a key driver and priority for Growthpoint.

We pursue this strategy while preserving our balance sheet strength and ensuring our LTV ratio remains at an acceptable level. Our internal threshold is 40.0%; Moody's also requires a maximum LTV ratio of 40.0% to maintain our Aa1.za. domestic rating.

We remain committed to supporting Growthpoint Properties Australia (GOZ), Globalworth Real Estate Investments (GWI) and Capital & Regional (C&R) in their strategies while also looking for other opportunities.

STRATEGY IN ACTION

In December 2019, Growthpoint took advantage of market dislocation in the United Kingdom caused by Brexit and the impact of online retail on this sector and purchased a 51.1% stake in C&R for R2.9bn.

Our Group footprint now spans three continents and five countries: South Africa, Australia, the UK, Poland and Romania.

	GOZ	C&R	GWI
Asset allocation	Australia	UK	Eastern Europe
Growthpoint's shareholding	62.2%	52.1%	29.4%
Cost of investment	R9.6bn	R2.9bn	R10.3bn
Dividend income earned in FY20	R1 010m	R107m	R613m

40.8% of the book value of our assets and 28.2% of EBIT comes from our international holdings. Growthpoint continues to offer investors a defensive property investment, diversified by both geography and sector.

STRATEGIC THRUSTS continued

Introducing new revenue streams

Funds management business

The intention is to build a R15bn funds management business by 2023. This is a capital-light strategy, where we raise third-party funding of up to 80.0% in each fund and introduce gearing of around 40.0%. Growthpoint will retain at least 20.0% of each fund and earn asset management fees. These funds do not compete with the existing asset types and geographies in Growthpoint's RSA portfolio.

Trading and development

Growthpoint develops assets for its own balance sheet, with this investment capped at 5.0% of the RSA portfolio value. As an agile partner for our clients, we leverage our skills to develop assets for third parties and take short-term, active positions in assets with the intention of trading them. These projects are pre-identified and do not exceed 3.0% of the value of the RSA portfolio. We aim to maintain a sustainable pipeline of trading and development opportunities not exceeding 1.0% to 2.0% of distributable income.

STRATEGY IN ACTION

Funds management business

This business contributed revenue of R160.9m to Growthpoint in FY20.

Our first two funds, the Africa and Healthcare funds, were launched in 2018. Growthpoint's funds management platform has gained strong momentum over the past year and now has assets under management of around R13.7bn. It is on track to meet its goal of having around R15bn of assets by 2023.

Sustainable opportunities

GIAP now has a combined property portfolio value of USD638m and net asset value of USD301m. From a zero base at the start of the year, it has built a quality portfolio of eight income-producing assets in prime locations in major gateway cities in Ghana, Zambia and Nigeria, secured in three significant transactions. It has attained meaningful scale and relevance to emerge as a leader in the African real estate market. It diversified its investment base from six to 30 shareholders. Further growth and diversification is planned for the fund, which expects to pay its maiden dividend in FY21.

Growthpoint Healthcare Property Holdings (GHPH) has grown its portfolio to R2.6bn with five healthcare assets, comprising four hospitals, managed by three leading operators and one medical chamber building. The fund attracted significant investment from new and existing shareholders. With the pandemic, the opening of the specialist Cintocare Hospital in Pretoria and other transactions were delayed. This and the impacts of Covid-19 on the healthcare sector, resulted in the healthcare fund's FY20 distribution of 77.45 cents per share, being 5.8% growth on FY19. The healthcare fund has a pipeline of acquisitions and developments to drive its growth.

Trading and development

Growthpoint completed R2.0bn worth of developments.

New developments valued at R2.3bn were completed by Growthpoint for its own portfolio, which added rental revenue of R19.6m. This was lower than anticipated as the Covid-19 lockdown stopped construction and delayed occupancy in some cases. More than half of the value of new developments was for our office portfolio.

In addition, Growthpoint earned R10.6m of fees from trading and development opportunities. This is well within our pre-defined limits. We completed developments valued at R900m in this category and have a pipeline of R2.4bn of developments that have started and which need to be completed.

We expect development projects in FY21 to be limited in light of market conditions and are reviewing all previously approved projects where construction is yet to commence.

Optimising and streamlining our RSA portfolio

Manage assets

Growthpoint's domestic property portfolio has grown through mergers and acquisitions, each adding a distinct portfolio of individual property assets which collectively meet acquisition criteria, but includes those considered non-core. We currently have several such assets for disposal.

STRATEGY IN ACTION

Disposing of assets has been challenging for the past few years. This has been exacerbated by Covid-19 which has led to a further reduction in liquidity for potential buyers in the market. We continue to manage assets to optimise their value over the long term but remain committed to selling non-core assets, either by individual sales or in small portfolios, where the appropriate value can be realised.

Thirteen individual assets with a combined value of more than R582m were sold during FY20.

In the last four years we have sold over R7bn of property assets, representing 10% of the RSA portfolio value.

BUSINESS MODEL AND VALUE CREATION

FINANCIAL HUMAN INTELLECTUAL MANUFACTURED SOCIAL NATURAL

SHORT TERM MEDIUM TERM LONG TERM

RETAIL
OFFICE
INDUSTRIAL

INVEST

Make strategic investments which improve the overall quality and diversification of the portfolio and ensure long-term sustainability and capital appreciation

OBJECTIVES

- Seek suitable acquisition opportunities, both locally and internationally, which fit our business strategy
- Maintain a limited trading and development programme tailored to market risks and opportunities

CAPITALS IMPACTED

OPPORTUNITIES	RISKS	KPIs	MEASURE	TARGET	PERFORMANCE
South Africa - Non-core properties identified for sale - Potential merger and acquisition opportunities due to the high gearing levels within other property companies - Potential emergence of positive yield spreads - Development capabilities and experience to deliver occupancy that is relevant to tenant needs on a turnkey basis - "Capital light" investments - Continued demand for office space at the V&A	- Macro-economic fundamentals - Low economic growth cycle - Economic recession - Poor business confidence - Sovereign credit rating downgrade and political risks - Weak property fundamentals - Increasing supply - Cost of occupancy impacting rentals across all sectors as a result of increased administered costs - Reduced valuations due to lower revenue and increased risk-free rates - Weak demand for retail and residential space at the V&A - Prolonged effects of Covid-19	**South Africa** - RSA property assets as a % of total portfolio - Sector diversification	50% 45% 35% 20%		59.2% 36% 41% 18% Healthcare – 4% Trading & Development – 1%
Australia - Low interest rates and inflation - Positive yield spreads - Stable property fundamentals - Experience in and understanding of the market	- Global recession - Availability of excess capital driving yields lower - Property cycle at a peak - Competitive market with limited opportunities	**International** - Off-shore property assets as a % of total portfolio - Sector diversification	50%		40.8%
United Kingdom - Asset values declining to record lows - Yields and discount rates at highs - Positive yield spreads	- Global recession - Brexit and Covid-19 - Poor liquidity - Access to debt funding for retail assets - Retail rentals declining				
Central and Eastern Europe - Better growth than Western Europe - High and positive yield spreads - Attractive to global corporates due to lower costs	- Global recession - The breakdown of the European Union - Political uncertainty - Regulatory environment				
Africa - Grow an African fund to an optimal size for a possible major stock exchange listing - Joint participation with third-party institutional investors - East, West and Southern Africa - Pricing of assets attractive - Develop finance institutions appetite for investment	- Economies that are highly reliant on commodities like oil - Lack of Dollar liquidity - Raising of capital challenging - Political uncertainty - Regulatory environment				
Trading and development - External trading and development - Internal development and redevelopment - Custom designed assets to retain and attract quality clients	- Projects not meeting financial feasibility - Break-even letting of developments not attained - Financial loss on external trading and development - Speculative developments and overexposure thereto	- Return > than comparable completed let building yield	- Internal < 5% of RSA property portfolio - External < 3% of SA property portfolio - < R500m per project - > 90% pre-let unless turnkey project		- 1.9% (R1.4bn) (Approved, not committed) - 3.3% (R2.4bn) (Approved and committed) - 0.0% (Nil) (Third party) - 0.0% (Nil) (Speculative)

FINANCIAL HUMAN INTELLECTUAL MANUFACTURED SOCIAL NATURAL

SHORT TERM MEDIUM TERM LONG TERM

RETAIL
OFFICE
INDUSTRIAL

FINANCE

Optimise sources of funding in order to minimise the cost of capital while maintaining gearing levels

OBJECTIVES

- Sustain a strong balance sheet through conservative gearing and credit metrics that are well within covenants
- Optimise the cost of capital by having access to all available forms of funding
- Limit exposure to interest rate fluctuations by fixing rates over periods matching loan expiry profiles

CAPITALS IMPACTED

OPPORTUNITIES	RISKS	KPIs	MEASURE	TARGET	PERFORMANCE
◆ Disposing of assets in pursuance of fund management "capital light" model	◆ Lower property valuations resulting in higher loan-to-value ratios ◆ Breaching of loan covenants	RSA ◆ Loan-to-value ratio ◆ Moody's rating	◆ < 40% loan-to-value ◆ Investment grade rating		◆ 39.8% ◆ Ba1
◆ Local and international debt capital markets including green bonds ◆ Equity raising including the distribution reinvestment plan ◆ Cross-currency interest rate swaps ◆ Optimising the cost of capital	◆ Size of loan book reaching bank limits ◆ Considerable constraints in debt capital market ◆ Illiquid bond markets ◆ Equity investments trading at discounts to net asset value ◆ Capital not deployed optimally	◆ Debt expiry profile ◆ Secured versus unsecured debt	◆ > 3 years ◆ 70/30		◆ 3.6 ◆ 43.5/56.5
◆ Global and local interest rates at record lows ◆ Limiting the extent of interest rate increases on the cost of finance ◆ Keeping finance costs predictable with high level of certainty ◆ Reducing earnings volatility	◆ Interest rates rising ◆ Global yield curve rising and impact on share price	◆ Interest rate hedging	◆ A minimum rolling 12-month fixed to floating ratio on debt of 75% ◆ > 2.0x interest cover		◆ 80.6% ◆ 3.4x

OWN

Own well-located investments comprising a quality portfolio of retail, office and industrial properties

OBJECTIVES

- Maintain a sectorally and geographically diversified portfolio of quality properties to take advantage of opportunities, market conditions and user demand

CAPITALS IMPACTED

OPPORTUNITIES	RISKS	KPIs	MEASURE	TARGET	PERFORMANCE
◆ Custom designed assets to retain and attract quality clients ◆ Refurbishment and redevelopment of assets ◆ The design of new and refurbished buildings to achieve a minimum Green Building Council of South Africa "4-Star Green Star" rating	◆ Uncertainty regarding land ownership rights ◆ Deteriorating infrastructure and service delivery ◆ Increasing administered costs	◆ RSA property assets as a % of total portfolio ◆ Sector diversification	50% 45% 35% 20%		59.2% 36% 41% 18% Healthcare – 4% Trading & Development – 1%

BUSINESS MODEL AND VALUE CREATION continued

FINANCIAL | HUMAN | INTELLECTUAL | MANUFACTURED | SOCIAL | NATURAL | SHORT TERM | MEDIUM TERM | LONG TERM | RETAIL | OFFICE | INDUSTRIAL

EARN RENTAL

Earn sustainable rental by providing quality accommodation to a large and diverse base of financially sound tenants secured by long leases

OBJECTIVES

- Optimise the letting of available space to financially sound tenants with long leases

CAPITALS IMPACTED

Financial, Social

OPPORTUNITIES	RISKS	KPIs	MEASURE	TARGET	PERFORMANCE
Innovative and sustainable property solutions (e.g. SmartMove, UNdeposit, Green Lease Addendum & SmartFlex) Providing more flexible rental solutions Generate additional revenue through value-added services or products Facilitate an online business-to-business network for clients Online retail a growing alternative necessitating more warehousing and logistics Social distancing to increase the need for space	Continued Covid-19 impact Major tenant failure Increase in vacancies Increase in arrears Downward pressure on rentals and negative rental reversions Increase in administered costs Constrained consumers will be more needs focused Retail centres focused largely on discretionary spend Downsizing of national retailers' footprints Increased work-from-home dynamic and work flexibility	**RSA**		Short term	
		Relief discounts	Reducing month-on-month		R277m
		Relief deferments	Reducing month-on-month		R159m
		Gross revenue growth	> 5%		(4.2%)
		Overall vacancies	< 9%		9.5%
		Total monthly arrears (as a % of collectables)	< 10%		31.5%
		Renewal success rates	> 70%		66.4%
		Renewal reversions	Positive reversions		(6.7%)

MANAGE

Manage assets and invest the capital necessary to ensure properties are well maintained and operate at optimum efficiency

OBJECTIVES

- Preserve and enhance the value of properties through ongoing maintenance, upgrading, refurbishment and enhancement
- Use and grow our skills and understanding of our operating environment by attracting and retaining the best people through creating a working environment that is conducive to productivity and performance
- Provide the highest level of service to stakeholders
- Increasingly manage third-party assets

CAPITALS IMPACTED

Manufactured, Financial, Human, Intellectual

OPPORTUNITIES	RISKS	KPIs	MEASURE	TARGET	PERFORMANCE
Preservation of property asset values Improve sustainability performance	Margin pressure on net property income Overcapitalisation of properties Administered costs escalating at rates in excess of inflation	**RSA** Property expense-to-income ratio Operating expense-to-income ratio	< 30% < 5%	Short term	29.2% 4.5%
Creating and driving a culture of performance Foster entrepreneurial spirit Transformation through diversity and inclusion	The loss of skills and corporate memory, particularly at a senior management level B-BBEE and Property Sector Charter requirements and targets	Development of people, culture, and values Overall management review Compliance Industry participation	B-BBEE level = or > 4	Long term	Level 2
Improved customer retention Efficiencies in property management processes Vertical integration of key suppliers of business services	Inefficient property management processes Resistance to change	Property expense-to-income ratio Operating expense-to-income ratio	< 30% < 5%	Short term	29.2% 4.5%
Sell down assets and raise equity Earn asset and property management fees Identification of asset classes that attract institutional investors	Maintaining REIT status Difficulty in attracting investors Investments illiquid Difficulty in exiting investments	Assets under management Fees earned	Increase in assets under management Increase in fees earned	Long term	R6.7bn 5.3%

FINANCIAL HUMAN INTELLECTUAL MANUFACTURED SOCIAL NATURAL

SHORT TERM MEDIUM TERM LONG TERM

RETAIL OFFICE INDUSTRIAL

DISTRIBUTABLE INCOME

Grow income and distribute this as dividends to shareholders

OBJECTIVES

- Balance the need to provide investors with growing distributions annually with the objective of delivering sustainable earnings in the long term, we will continue to invest in our properties, in our employees and the communities in which we operate

CAPITALS IMPACTED

OPPORTUNITIES

- Diversify geographical contribution to distributable income
- Seek balance between growing dividends and retaining capital by reducing pay-out ratio
- Identifying strategic thrusts and enablers to create sustainable value
- Funds management – Africa and Healthcare funds
- Create sustainable profits from trading and development income

RISKS

- Failure to implement strategy
- Lack of sustained economic growth
- Weak RSA property fundamentals
- Defensive nature of portfolio limits the extent of out-performance
- Technology innovation by market disruptor

KPIs	MEASURE	TARGET	PERFORMANCE
Dividend growth in absolute terms	CPI + 1%		Unknown at date of report
SA property EBIT as a % of total portfolio	50%		71.8%
Off-shore property EBIT as a % of total portfolio	50%		28.2%

STAKEHOLDER ENGAGEMENT

STAKEHOLDER CONTRIBUTION	FY20
Investors and analysts	The provision of financial capital to grow the business
Meeting of stakeholder expectation	◆ Delivering sustainable, quality earnings that can be projected with a high degree of accuracy ◆ Providing investors with a secure investment underpinned by high quality physical property assets diversified by sector and geography ◆ Providing investors with an investment with an increasing proportion of assets and EBIT from offshore ◆ Offering investors an investment opportunity with a strong management team that has a proven track record, adheres to high levels of corporate governance and transparent reporting
Engagement with stakeholder	◆ Presentations including bi-annual results presentations ◆ Pre-close updates ◆ Covid-19 business impact updates ◆ Non-deal roadshows ◆ ESG/AGM roadshows ◆ Remuneration roadshows ◆ Site visits ◆ JSE SENS announcements ◆ Media announcements ◆ Webcasts ◆ One-on-one meetings ◆ Integrated annual report ◆ ESG report ◆ Annual financial statements
Initiatives	◆ Providing regular updates to the market on the impact of Covid-19 on the business ◆ AGM roadshow addressing, among others, Non-executive Directors' tenure and refreshing of the Board ◆ Engagement with various rating agencies, particularly in terms of ESG performance ◆ Engagement with bondholders

STAKEHOLDER CONTRIBUTION	FY20
Employees	Making sure our employees are aligned with the business strategy is an important element of our talent optimisation. This ensures engaged employees who contribute to the business meeting its strategic objectives.
Meeting of stakeholder expectation	◆ Managing our talent through our HR processes of recruiting the right talent, rewarding them and retaining them to ensure that we meet stakeholder expectations
Engagement with stakeholder	◆ Electronic communication ◆ Employee updates ◆ Training and development ◆ Wellness days
Initiatives	◆ Integrated talent management ◆ Transformation ◆ Employee engagement ◆ Assessment of Covid-19 impact on employees and resultant support

STAKEHOLDER CONTRIBUTION — FY20

Business partners – tenants	Maintaining a client base and attracting new clients to sustain and grow Growthpoint's business
Meeting of stakeholder expectation	Providing tenants with space to thrive with high quality and prominently located physical infrastructure and associated property management services
Engagement with stakeholder	◆ Personal interaction and meetings ◆ Client focus sessions ◆ Information events ◆ Print communication ◆ Growthpoint website ◆ On-site property teams ◆ Operational notices ◆ Safety notices and practice drills ◆ Maintenance call centre
Initiatives	◆ Discussions and interactions with tenants to sustain their business as a result of Covid-19. Assistance in the form of rental deferments and discounts

STAKEHOLDER CONTRIBUTION — FY20

Business partners – suppliers	The provision of services which will preserve and enhance our properties
Meeting of stakeholder expectation	Providing sustainable business and growth opportunities which are mutually beneficial in a transparent and equitable manner
Engagement with stakeholder	◆ Request for Proposals (RFPs) ◆ Property Point's enterprise development programme ◆ B-BBEE preferential procurement ◆ Extension of contracts due to the pandemic
Initiatives	◆ New RFP initiatives with cost and service as the focus ◆ Working with suppliers to ensure compliance, especially considering Covid-19 ◆ Working with Property Point in bringing localised business from communities on board

STAKEHOLDER CONTRIBUTION — FY20

Government and regulatory bodies	The provision of regulatory frameworks which will enable Growthpoint to operate in an environment which provides reasonable certainty and is fair and transparent to all competing participants
Meeting of stakeholder expectation	Growthpoint acts in a responsible, ethical and transparent manner
Engagement with stakeholder	◆ Formal responses on policy and regulation ◆ Joint initiatives for industry solutions ◆ B-BBEE scorecards ◆ Employment equity reports ◆ Tax legislation ◆ Workplace skills development plan ◆ Municipal matters
Initiatives	◆ Ongoing engagement through SA REIT Association with National Treasury on tax-related matters ◆ SAPOA initiative in addressing levels of rates and taxes ◆ Best practice recommendations for accounting and disclosure for SA REITs ◆ Discussions with the JSE and National Treasury on concessions regarding minimum dividends as a result of Covid-19

STAKEHOLDER CONTRIBUTION	FY20
Property brokers	The letting of available space which enables Growthpoint to sustain and grow its business
Meeting of stakeholder expectation	The provision of quality properties to take advantage of opportunities, market conditions and user demand
Engagement with stakeholder	◆ Website ◆ Incentive programmes ◆ Twitter, Facebook and Instagram ◆ One-on-one presentations and engagement
Initiatives	◆ Increased one-on-one interaction ◆ SmartFlex campaign for tenants seeking flexibility

STAKEHOLDER CONTRIBUTION	FY20
Providers of finance	The provision of funding to support and grow the business
Meeting of stakeholder expectation	The timeous payment of interest and capital underpinned by a strong balance sheet and credit metrics that are well within covenants and the management of the security pools
Engagement with stakeholder	◆ Bi-annual results presentations ◆ Roadshows ◆ One-on-one meetings and calls ◆ JSE SENS announcements ◆ Media announcements ◆ Website
Initiatives	◆ Proactive engagement with funders through Covid-19 crisis ◆ Proactive re-financing of loans with maturity dates post 30 June 2020 ◆ Funding implementation for Capital & Regional acquisition ◆ Update of Domestic Medium Term Note (DMTN) Programme

STAKEHOLDER CONTRIBUTION — FY20

Industry and business organisations	The consensus opinion of the participants which enables industry and business organisations to influence and impact matters that affect them and their operations
Meeting of stakeholder expectation	The sharing of experience and expertise which will mutually benefit the property industry and related organisations
Engagement with stakeholder	◆ Active involvement on boards and committees ◆ Presentations at conferences and congresses ◆ Involvement in South African Real Estate Investment Trust Association (SA REIT), South African Property Owners Association (SAPOA), Property Investment (PI) Group, Green Building Council of South Africa (GBCSA) and World Green Building Council ◆ Member of European Public Real Estate Association (EPRA) ◆ A member of the National Business Initiative (NBI) ◆ Women's Property Network (WPN) ◆ South African Institute of Black Property Practitioners (SAIBPP) ◆ South African Facilities Managers Association (SAFMA) ◆ Estate Agency Affairs Board (EAAB) ◆ Investor Relations Association ◆ Association of Corporate Treasurers of Southern Africa (ACTSA) ◆ Debt Issuers Association (DIA) ◆ Johannesburg Chamber of Commerce and Industry (JCCI)
Initiatives	◆ Ongoing engagement through SA REIT Association with National Treasury on tax-related matters ◆ SAPOA initiative in addressing levels of rates and taxes ◆ Best practice recommendations for accounting and disclosure for SA REITs ◆ Working with the DIA and engaging with the JSE debt-listing requirements ◆ Working with NBI to promote social transformation ◆ Working with the PI Group to collectively address the challenges faced by landlords and tenants due to Covid-19

STAKEHOLDER CONTRIBUTION — FY20

Communities	A social impact study on the CSI projects to evaluate sustainability
Meeting of stakeholder expectation	Creating long-term relationships with our stakeholders and communities
Engagement with stakeholder	◆ CSI initiatives ◆ CSI initiatives in our shopping centres ◆ Graduate programme and internships ◆ Environmental initiatives ◆ Skills development
Initiatives	◆ Increasing Growthpoint GEMS intake numbers ◆ Growsmart extension to Limpopo in partnership with another corporate ◆ Ongoing stakeholder engagements ◆ Social impact assessment for CSI projects (GEMS, Protec, iSchool Africa, Christel House) ◆ Sports development in previously disadvantaged areas ◆ Training for persons with disabilities ◆ R44.1m invested with 13 308 beneficiaries ◆ Redirected resources to address the consequences of Covid-19

GOVERNANCE AND MANAGEMENT STRUCTURE

GROWTHPOINT PROPERTIES LIMITED

INDEPENDENTLY MANAGED

GOZ
BOARD
- Audit, Risk and Compliance Committee
- Nomination, Remuneration and HR Committee

- Managing Director
- Executive team
- Property management function outsourced

C&R
BOARD
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Responsible Business Committee
- Disclosure Committee

- Chief Executive
- Executive team

V&A
BOARD
- Audit and Risk Committee
- Property Committee
- Social and Ethics Committee
- Human Resources and Remuneration Committee

- Chief Executive Officer
- Executive Management Committee
- In-house property management function

GWI
BOARD
- Audit Committee
- Remuneration Committee
- Investment Committee
- Risk Committee
- Nomination Committee

- Chief Executive Officer and Deputy CEO
- Executive Committee
- In-house property management function

GIAP
BOARD
- Advisory Committee

GIAP MANAGEMENT LIMITED
BOARD

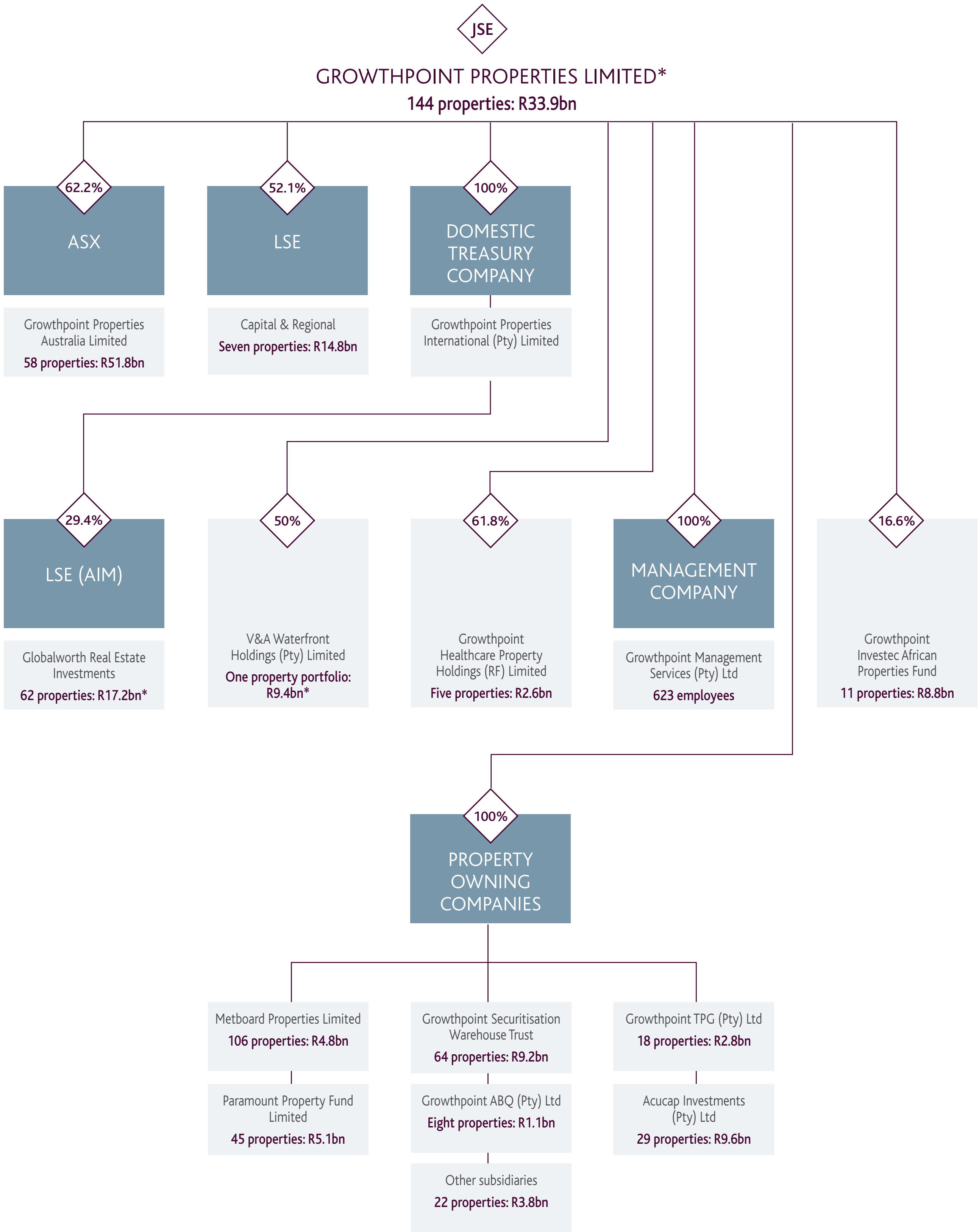
MANAGED

SOUTH AFRICAN PORTFOLIO (EXCLUDING THE V&A)
BOARD
- Audit Committee
- Governance and Nomination Committee
- Property and Investment Committee
- Human Resources and Remuneration Committee
- Risk Management Committee
- Social, Ethics and Transformation Committee

- Group Chief Executive Officer
- Chief Executive Officer: RSA
- Executive committees (Group and SA)
- Strategic management, monitoring and review of performance
- Deal forum (Group and RSA)
- Approval of acquisitions, disposals, developments and property trading
  - In-house property management function
    - Retail
    - Office
    - Industrial
    - Healthcare
- Group Services

GHPH
BOARD
- Audit Committee

SIMPLIFIED OWNERSHIP AND LEGAL STRUCTURE



* *Represents Growthpoint's investment only.*

BOARD OF DIRECTORS AND GOVERNANCE

1 2 3 4 5

1 Francois Marais (65)

CHAIRMAN, NON-EXECUTIVE

BCom, LLB, H Dip (Company Law)

Joined the Board in 2003

Career: A founding member and partner of Glyn Marais Inc., although no longer responsible for directing the firm, a Chambers and Global 500 rated corporate lawyer, director of Growthpoint Properties Australia Limited and V&A Waterfront Holdings (Pty) Ltd

Skills and expertise: Legal as applies to corporate finance in general and dispute resolution, particularly alternative dispute resolution, specialising in mergers and acquisitions and transaction funding

Professional membership: Law Society

B HR GN RM

2 Norbert Sasse (55)

GROUP CHIEF EXECUTIVE OFFICER

BCom (Hons) (Acc), CA(SA)

Joined the Board in 2003

Career: Experience in corporate finance dealing with listings, delistings, mergers, acquisitions and capital raising. One of the founding members of the SA REIT Association. Director of major Group subsidiaries, Growthpoint Properties Australia Limited, V&A Waterfront Holdings (Pty) Ltd and subsidiaries, African Real Estate Management Company Limited and Growthpoint Investec African Property Management Limited, Globalworth Real Estate Investments Limited and Growthpoint Poland Real Estate

Skills and expertise: Experience in corporate finance, property and general management

Professional membership: SAICA, EAAB (Master Practitioner in Real Estate)

B PI RM HR GN

The Board is responsible for the leadership and guidance of the Group and exercises control over all divisions and subsidiaries by monitoring the performance of executive management.

3 Gerald Völkel (59)

GROUP FINANCIAL DIRECTOR

BAcc, CA(SA)

Joined the Board in 2013

Career: Ended 15 years in the auditing profession as an audit partner with the former Ernst & Young before joining the JD Group Limited in November 1995, where he was appointed to its Board in April 2001 as the Chief Financial Officer having fulfilled that role for 12 years. Director of major Group subsidiaries

Skills and expertise: Financial, tax and general management

Professional membership: SAICA

B PI RM SET A

4 Estienne de Klerk (51)

CEO: RSA

BCom (Industrial Psychology), BCom (Hons) (Marketing), BCom (Hons) (Acc), CA(SA)

Joined the Board in 2008

Career: Extensive experience in listed property, involved in BEE transactions, takeovers, mergers and acquisitions. Represented the SA REIT Association as lead negotiator and signatory to the Property Sector Transformation Charter and chaired its REIT Committee, which negotiated and finalised the South African REIT tax and regulatory legislation with the SA National Treasury, SA Revenue Service, Financial Services Board and the JSE. Director of major Group subsidiaries, Growthpoint Properties Australia Limited and V&A Waterfront Holdings (Pty) Ltd and subsidiaries. Past President of SAPOA and Chairman of SA REIT Association

Skills and expertise: Financial, general management and property

Professional membership: SAICA, EAAB (Master Practitioner in Real Estate)

B PI RM SET HR A GN

5 Olive Chauke (49)

DIRECTOR OF HUMAN RESOURCES

Bachelor of Social Science, Advanced Programme in Strategic Management from Henley Business School

Joined the Board in 2018

Career: More than 20 years' HR experience gained in both private and public companies in retail, petroleum, financial services, healthcare and hospitality

Skills and expertise: Strategic and operational, regional Africa and international human resource experience, including practical experience in transformational human resources

Professional membership: South African Board of People Practices

B RM SET HR

6 7 8 9 10 11

6 Frank Berkeley (64)

INDEPENDENT NON-EXECUTIVE

BCom, BAcc, CA(SA)

Joined the Board in 2019

Career: Former Managing Executive of Nedbank Corporate Property Finance. Previously Non-executive Director of Sycom Property Fund, Acucap Properties and Hospitality Property Fund. Over 30 years' experience in many aspects of the property industry, including greenfields development, redevelopment of properties, student accommodation, property banking and property equity investment

Skills and expertise: Extensive experience and expertise in strategy development and implementation, successful implementation of mergers, and leadership and management of large complex organisations. Frank's particular passion for many years has been the professional and personal development of people

Professional membership: SAICA

B PI HR A GN

7 Mzolisi Diliza (71)

NON-EXECUTIVE

BCom, BBus and BAdmin (Hons)

Joined the Board in 2001 as BEE structure stakeholder

Career: Executive Chairman of Strategic Partnership Group (Pty) Ltd, director of Bombela Concession Company, director of Bombela Operating Company (Pty) Ltd, Chairman of Mega Express (Pty) Ltd, Chairman of Teba Fund Trust, Board member of NWU Potchefstroom Business School, former Chief Executive of the Chamber of Mines of South Africa

Skills and expertise: Expertise in the mining, investments, consulting, engineering and property and infrastructural development sectors

Professional membership: The Institute of Directors of South Africa

B PI SET GN

8 John Hayward (69)

LEAD INDEPENDENT DIRECTOR

BSc (Hons)

Joined the Board in 2001

Career: Actuary and consultant, mainly in the investment and retirement fund fields

Skills and expertise: Finance, analytical and risk

Professional membership: Fellow of the Society of Actuaries of SA, Fellow of the Society of Actuaries in Namibia, Fellow of the Institute of Actuaries (UK)

B RM HR GN

9 Mpume Nkabinde (60)

INDEPENDENT NON-EXECUTIVE

MBA, Honours in HRD, Bachelor of Social Science, Diploma in Adult Education, Postgraduate Diploma in Property Development and Management

Joined the Board in 2009

Career: Co-founder and Managing Director of Sigma Lifts and Escalators (Pty) Ltd and founder of the Engineering Partners' Group. Held senior management positions in the field of business development, human resources, communication, as well as training and development with reputable organisations including PG Bison and Otis (Pty) Ltd

Skills and expertise: Expertise in human resources, business development and general management, which have been acquired over a 20-year period in local and international companies

Professional membership: SAPOA, SAIBPP, SA Shopping Centre Council

B RM SET

10 Patrick Mngconkola (57)

INDEPENDENT NON-EXECUTIVE

BTech (Business Admin), BA (HR Management), National Diploma Police Admin, Certificate: Forensic Investigative Auditing (Unisa), Certificate: Property Development and Investment (UCT), Certificate: Advanced Risk Business Management (UCT), Certificate: Investment Management (UCT)

Joined the Growthpoint Board in 2012

Career: Former Non-executive Director of the PIC and former Trustee of the Government Employees' Pension Fund, Director of V&A Waterfront Holdings (Pty) Ltd and its subsidiaries

Skills and expertise: Broad experience with numerous years of studies in business oversight and as civil servant, particularly in finance, supply chain management and people management skills

Professional membership: The Institute of Directors South Africa

B RM SET

11 Ragavan Moonsamy (56)

INDEPENDENT NON-EXECUTIVE

Joined the Board in 2005

Career: CEO of UniPalm Investment Holdings (Pty) Ltd and UniPalm Intl (SA) SRL, Director of Market Demand Trading 361

Skills and expertise: Over 30 years of experience in investments and finance, corporate finance, the structuring, negotiation and funding of transactions including cross-border and lending transactions, joint ventures, mergers and acquisitions, investments and project finance

B PI SET

B	PI	RM	SET	HR	A	GN			
Board	PROPERTY AND INVESTMENT COMMITTEE	RISK MANAGEMENT COMMITTEE	SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE	Human Resource and Remuneration Committee	AUDIT COMMITTEE	GOVERNANCE AND NOMINATION COMMITTEE	Chairman	Standing invitation	By invitation

12 13 14 15 16

12 John van Wyk (55)

INDEPENDENT NON-EXECUTIVE

CA(SA)

Joined the Board in 2019

Career: John is an experienced private equity investor with a career spanning 29 years. Based in London, he is well known in the South African market. John was a partner at Actis, a prominent emerging market investor where he was responsible for managing Actis' private equity business in Africa and prior to that was a founding partner of Ethos Private Equity, a leading South African investor. John chairs the board of Comcorp Holdings (Pty) Ltd and is an independent Investment Committee member of Nedbank's CIB and of private equity funds managed by Ninety One Asset Management

Skills and expertise: Experience in private equity and investments

B PI RM A

13 Eric Visser (68)

INDEPENDENT NON-EXECUTIVE

BCom (Hons)

Joined the Board in 2001

Career: Chief Executive Officer of the Sentinel Retirement Fund

Skills and expertise: Has been in the asset management industry for the past 20 years, with large investments, among others, in development, direct and listed property both locally and offshore (including Africa), IT, risk management and combined assurance, remuneration and human resources

B RM HR GN

New Non-executive Directors appointed by the Board

14 Rhidwaan Gasant (60)

INDEPENDENT NON-EXECUTIVE

BCompt (Hons), CA(SA), ACMA, CGMA, Executive Development Programme

Joined the Board in 2020

Career: Rhidwaan Gasant was previously the Chief Executive Officer of Energy Africa Limited and Financial Director of Engen Limited. He serves as an Independent Non-executive Director and chairs the Audit and Risk Committees of international companies in the MTN Group and AngloGold Ashanti Limited, of which he is also the Lead Independent Director

Professional membership: SAICA and CIMA

B RM A GN

15 Andile Sangqu (54)

INDEPENDENT NON-EXECUTIVE DIRECTOR

BCom (Acc), BCompt (Hons) CTA, HDip Tax Law, EDP (Wits Business School), MBL (Unisa), AMP (INSEAD), Higher Certificate in Christian Ministry (HCCM)

Joined the Board in 2020

Career: Executive in Residence at the Gordon Institute of Business Science, served as Executive Head and Executive Director at Anglo American South Africa

Skills and expertise: A well-known businessman and thought leader, with expertise including business financial restructuring, financial systems development, implementation, strategic planning and organisational transformation in many businesses including Anglo American Platinum, Kumba Iron Ore, Pioneer Foods and Iliad Africa

16 Prudence Lebina CA(SA) (39)

INDEPENDENT NON-EXECUTIVE DIRECTOR

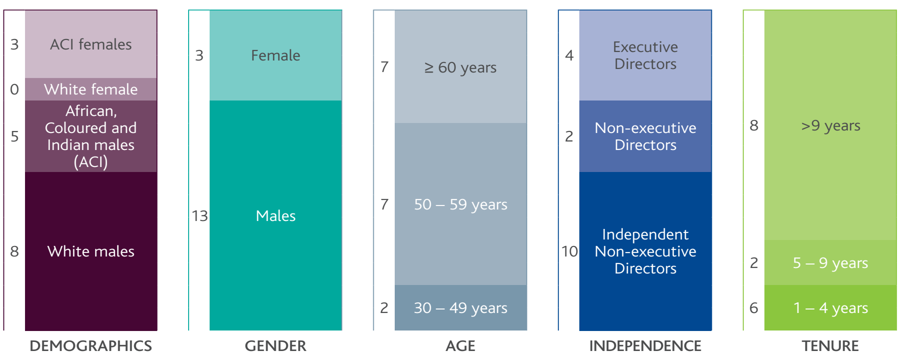
Bachelor of Commerce (BCom), Higher Diploma in Accounting (HDip (Acc)) Certificate in Business Excellence, Columbia Business School

Joined the Board in 2020

Career: A chartered accountant with over 16 years' working experience in corporate finance, business development, financial reporting and stakeholder management in the financial services and mining sectors. Currently, Chief Executive Officer of TriAlpha Investment Management, a fixed income investment house with more than R20bn assets under management

Skills and expertise: Business development, corporate finance, accounting and financial reporting, strategic leadership, board and committee experience

Professional membership: Member of the South African Institute of Chartered Accountants and the Institute of Directors of South Africa



B Board

PI PROPERTY AND INVESTMENT COMMITTEE

RM RISK MANAGEMENT COMMITTEE

A AUDIT COMMITTEE

SET SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

HR Human Resource and Remuneration Committee

GN GOVERNANCE AND NOMINATION COMMITTEE

Chairman

Standing invitation

By invitation

GROUP EXECUTIVE MANAGEMENT FORUM

GROUP CEO
Norbert Sasse*
(55)
BCom (Hons) (Acc), CA(SA)
Twenty-one years' experience in listed property

CEO: RSA
Estienne de Klerk*
(51)
BCom (Industrial Psych), BCom (Hons) (Marketing), BCom (Hons) (Acc), CA(SA)
Twenty years' experience in listed property

GROUP FD
Gerald Völkel*
(59)
BAcc, CA(SA)
Thirty-five years' experience in finance management

HUMAN RESOURCES DIRECTOR
Olive Chauke*
(49)
Bachelor of Social Sciences, Advanced Programme in Management from Henley Business School
Twenty-three years' HR experience gained in both private and public companies

CHIEF OPERATING OFFICER:RSA
Engelbert Binedell
(50)
BA (Ed), MBL
Twenty-three years' experience in listed property

GROUP TREASURER
Dirkje Bouma
(48)
MSc Finance, CFA
Twenty-four years' financial and treasury experience

GROUP LEGAL COUNSEL
Xolani Hlatshwayo
(37)
LLB, LLM
Sixteen years' experience in a range of corporate transactions across various sectors

HEAD OF CORPORATE FINANCE
George Muchanya
(48)
BSc Eng, MBA, ACFP
Twenty-five years' experience spanning engineering, management consulting and the property industry

CHIEF DEVELOPMENT AND INVESTMENT OFFICER
Rudolf Pienaar
(60)
Thirty-four years' property experience

HEAD OF INVESTOR RELATIONS
Lauren Turner
(44)
BCompt (Hons)
Nineteen years' financial markets experience

* *Executive director*

PERFORMANCE
REVIEW

The IMF, in its June 2020 World Economic Outlook, forecast a global recession in 2020, projecting a 4.9% global contraction before a return to growth of 5.4% in 2021.

INDEPENDENT ECONOMIC OVERVIEW

By: Mahir Hamdulay – Equity Analyst, ABSA Capital

South Africa

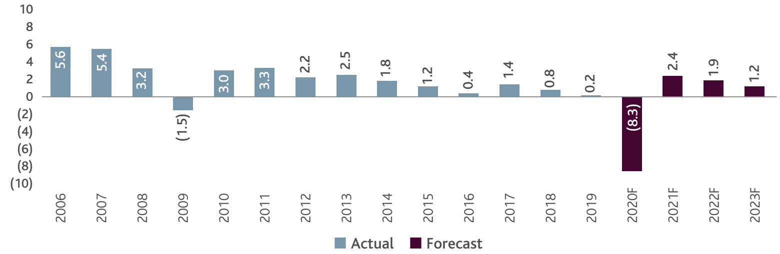
The South African economy was fragile heading into 2020, having slipped into a recession in the second half of 2019, and its growth prospects were severely constrained even before Covid-19.

The slow execution of structural reforms and growing uncertainty regarding sustainable electrical power supply were significant negative factors in the outlook for the year, while expanding fiscal vulnerabilities, low economic growth and the increasing financial burden created by Eskom and other state-owned enterprises meant there was little likelihood of public debt being stabilised. Factional ideological battles within the ANC meant scant prospect of the structural changes required to support growth being implemented.

With the global spread of Covid-19, South Africa was soon also embroiled in the pandemic, resulting in the government enforcing strict but necessary measures in an attempt to slow the spread of the virus and limit the loss of lives. With governments globally enforcing lockdown restrictions, economic activity has been and continues to be severely impacted by simultaneous demand, supply and financial shocks. With countries all being at different stages of lifting restrictions and opening up their respective economies, the situation remains fluid and the outlook inherently uncertain.

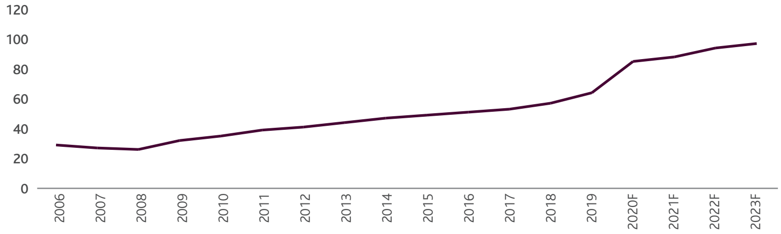
The IMF, in its June 2020 World Economic Outlook, forecast a global recession in 2020, projecting a 4.9% global contraction before a return to growth of 5.4% in 2021. Interestingly, the 2020 forecast was revised downwards by 1.9% from April 2020, indicating a more negative impact than previously anticipated and a more gradual recovery thereafter, despite the fact that policymakers around the world have provided extensive support to their economies in the form of relief packages and quantitative easing. To put the severity of this crisis into perspective, the IMF estimated that the global economy contracted by just 0.1% during the 2009 global financial crisis.

Real GDP growth rate (%)



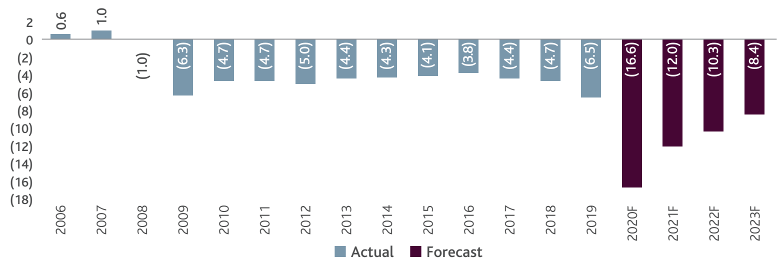
Sources: Absa Research, Stats SA

Debt to GDP (%)



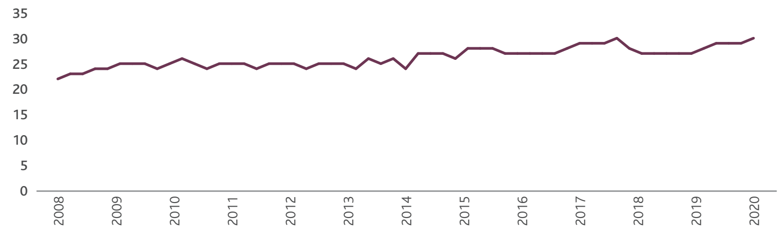
Sources: Absa Research, National Treasury

Main budget deficit (Rbn)



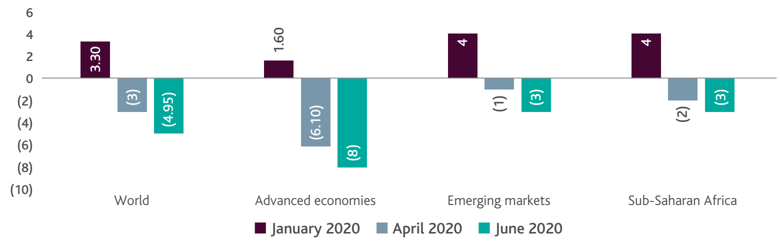
Sources: Absa Research, National Treasury

Unemployment rate (%)



Source: Stats SA

IMF 2020 world economic forecast revisions YTB (%)



Source: IMF

INDEPENDENT ECONOMIC OVERVIEW continued

In South Africa, 2020 first quarter GDP contracted by 2.0% quarter-on-quarter on an annualised basis (but just 0.3% year-on-year), which shows that the economy was contracting even before lockdown restrictions were imposed. This also represented the third consecutive quarterly contraction, highlighting the fragility of the economy before adding the negative effects of the Covid-19 lockdown.

South Africa imposed one of the more stringent lockdowns globally and the economic cost is estimated to be severe. The government expects GDP to contract by 7.2% in 2020, resulting in an expansion of the main budget deficit to 14.2% of GDP from 6.7% in 2019.

To offset the negative impact of the lockdown, the government responded with a R500bn economic relief package, equating to approximately 10% of GDP. Furthermore, the SARB responded strongly by cutting the repo rate by a cumulative 300 basis points by end-July 2020 (275 at Growthpoint's 30 June year end) and introducing a range of measures to ease liquidity constraints in domestic financial markets, including its decision to purchase government bonds in the secondary market. However, with consumer inflation expected to hover around the lower end of the 3% to 6% target range, further stimulus may be required to support growth.

Job growth has remained a major macro-economic and social challenge in South Africa and this is likely to worsen. In its most recent Quarterly Labour Force Survey, Stats SA reported that the unemployment rate rose to 30.1% in the first quarter of 2020, the highest level since 2008, with 344 000 more people being unemployed than in the final quarter 2019. Of concern is that this was a period when the effects of Covid-19 were not yet even fully evident in the economy. Against the backdrop of rising Covid-19 infections, job losses and pay cuts, and a negative wealth shock via housing and financial markets, the Consumer Confidence Index compiled by the BER fell notably in Q2 2020 to -33, the lowest level since 1985. At the same time, investment growth, particularly in the private sector, is likely to remain constrained by low business confidence. The Business Confidence Index, also compiled by the BER, fell to a record low of five in the second quarter of 2020 from an already weak level of 18 in the first quarter.

Our economists expect GDP to contract by 8.3% in 2020, and recover to 2.4% in 2021. As a consequence of diminishing tax receipts and the cost of the government's Covid-19 economic response package, public finances are expected to come under added pressure, with the main budget deficit expected to expand to 16.6% of GDP and the debt-to-GDP ratio expected to expand to a sobering 85% in FY21.

Despite Moody's having already lowered South Africa's last investment grade rating in March to sub-investment grade (from Baa3 to Ba1) with a negative outlook, further ratings downgrades are not inconceivable should the economic outlook continue to deteriorate and there be no plausible plan for growth.

The outlook for the property sector, much like the economic outlook, is clouded by uncertainty that will continue to weigh negatively on property fundamentals. While the retail sector was most severely impacted during the initial stages of the lockdown, the far-reaching impact of Covid-19 will be felt in all property sectors and could act as a catalyst for an acceleration in the deterioration of property fundamentals.

As businesses and consumers navigate the uncertainty, the demand for space in an already oversupplied property market is likely to be negatively affected. Furthermore, with a lack of net new demand, the bargaining power will be further skewed towards tenants, placing pressure on both near-term and longer-term rental growth. Of particular relevance at present is the effect that a depressed economy with a weaker outlook will have on independent property valuers' assumptions, and the impact that any negative revaluations will have on already constrained balance sheets across the property sector.

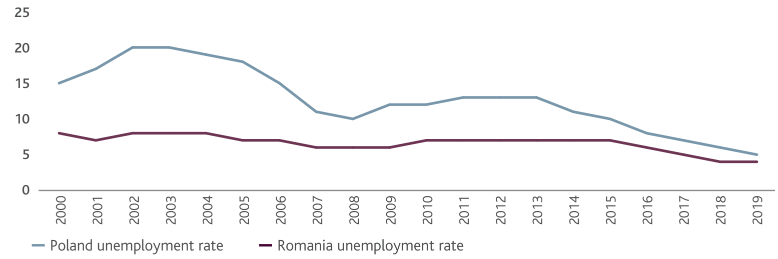
Sources: Absa Research, IMF, Bloomberg

CEE, Poland and Romania

Central and Eastern Europe (CEE) continued as the fastest growing region in Europe during 2019, averaging GDP growth of 3.6% across the CEE-6 (Bulgaria, Romania, Slovakia, Hungary, Poland and the Czech Republic), well ahead of the EU's 1.7% growth for the same period. This performance was largely driven by strong consumption growth due to robust real wage growth and the continued relocation of production from Western Europe to the CEE region.

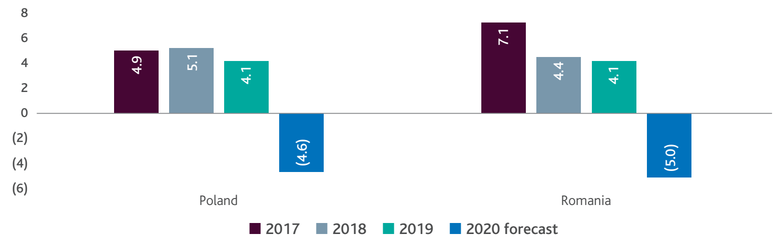
Poland is the biggest market in the CEE region in terms of economy and population size. It remained one of the fastest growing countries in the region in 2019, with GDP growth of 4.1% and household consumption growth of 3.9%. This was fuelled by sustained increases in budgetary expenditures, a tight labour market with low unemployment of 5.2% and rising wages, combined with continued low interest rates and strong investment growth. Poland remains an attractive destination for business process outsourcing and back-end IT services due to its skilled workforce, strategic geographic location and a stable political and economic climate. This has resulted in a continued increase in demand for office space, with almost 50% of real estate investment in 2019 being made in the office sector. Poland also accounted for 55% of the real estate investment flows in the CEE region during 2019.

Unemployment rate (%)



Sources: Bloomberg, IMF, World Bank

GDP growth rate (%)



Sources: Bloomberg, IMF, World Bank

Following the onset of the Covid-19 pandemic, the IMF now estimates that Poland's GDP will decline by 4.6% in 2020, compared with the rest of the EU, which is expected to contract by 7.1% over the same period. Given Poland's strong economic position and record low debt-to-GDP ratio of 46%, it had the fiscal headroom to launch one of the biggest stimulus packages in Europe (11.3% of GDP) to mitigate the demand- and supply-side shocks of Covid-19. Poland's economy is expected to rebound strongly in 2021, with initial estimated GDP growth of 4.2%, according to IMF forecasts.

Sources: Absa Research, IMF, Bloomberg, JLL, Colliers, ING, World Bank

Despite a slowdown in growth during 2019, Romania was still among the fastest growing economies in Europe with GDP growth of 4.1%. This was driven by an increase in both public and private minimum wages and strong investment flows in the real estate sector. Construction of residential and commercial real estate, especially office and warehouse spaces, was another key contributor.

S&P maintained Romania's investment grade rating (BBB-) with a negative outlook in June 2020, citing the need for significant fiscal consolidation to combat the effects of a Covid-19 induced recession. The size of the fiscal stimulus package announced thus far is about 3% of the 2019 GDP, which is among the weakest in the region. The IMF expects the Romanian economy to contract by 5% in 2020, with the fiscal budget deficit widening to around 8% of GDP and the current account deficit reaching about 5% of GDP, according to S&P estimates.

Real estate investment volumes in Romania dipped in 2019 to their lowest level in six years, with South African capital inflows accounting for the largest portion of real estate transactions at 28%. Despite the low overall volume, modern office stock expanded by 12% during the year, nearly double the increase seen in 2018, with net new demand for office space also improving by 8% from the previous year.

Sources: Absa Research, S&P, IMF, Colliers

Australia

Australia's GDP growth slowed to 1.8% in 2019, down approximately 1% from the previous year as government spending softened and household consumption growth remained weak. This was despite a cut in personal tax rates and three downward interest rate revisions by the Reserve Bank of Australia (RBA) in an attempt to stimulate growth.

Hopes of a recovery in the first quarter of 2020 were dealt a blow by devastating bushfires and the early effects of Covid-19 on tourism and domestic demand. China is the biggest source of international visitors to Australia, accounting for 27% of tourism spend. Consequently, the Australian economy contracted by 0.3% in the first three months of 2020, marking the first quarterly decline in GDP since 2011.

The government announced a range of fiscal measures totalling around AUD260bn (or some 13% of 2019 GDP) to soften the impact of the Covid-19 shock and provide income support to households and businesses. Measures included a fortnightly payment of AUD1 500 per employee to cover wages and an AUD25 000 grant to home buyers and renovators in an attempt to revive the construction industry.

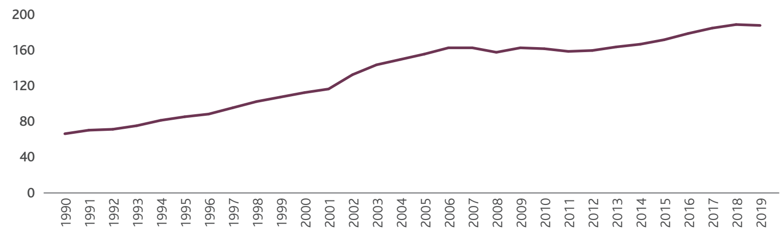
Monetary policy support has come through two further rate cuts by the RBA to a record low cash rate of 0.25% as well as the launch of an "unlimited" bond buying programme to try to stabilise yields. The near-zero rate leaves limited scope for further monetary policy stimulus.

Despite these stimulus efforts, the Australian economy is expected to contract by 6.7% in 2020, according to IMF forecasts. The projected GDP contraction will end a run of 29 consecutive years of economic growth, the longest period of uninterrupted growth by any country on record.

A factor that may exacerbate the predicted recession is the high level of household debt, which was 187% of disposable income in December 2019. An expected rise in unemployment rates could affect households' ability to service debt and potentially lead to a reduction in spending in an effort to avoid defaults.

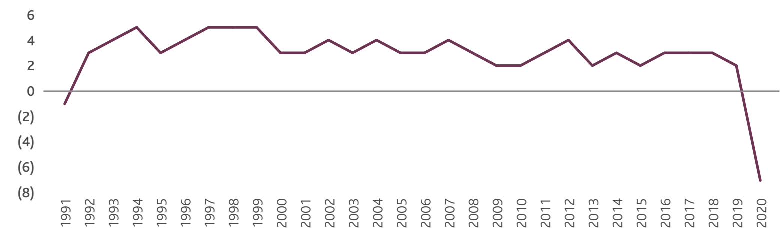
Sources: Absa Research, IMF, Bloomberg, KPMG Australia, Australian Bureau of Statistics

Household debt to income ratio (%)



Sources: Australian Bureau of Statistics, IMF

GDP growth rate (%)



Sources: Australian Bureau of Statistics, IMF

United Kingdom

Following the United Kingdom's third general election in five years in December 2019, the Conservative party led by Boris Johnson claimed a resounding victory and won a crucial majority in the House of Commons. This cleared the way to ending a three-year stalemate on the issue of Brexit, with the UK officially leaving the EU on 1 February 2020 and entering into a transition period during which the terms of the new relationship will be agreed. A new free trade agreement is the priority.

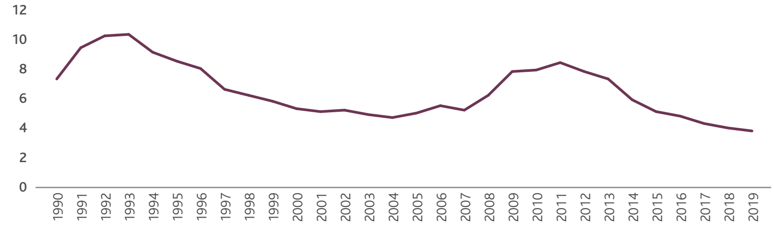
The uncertainty around Brexit and its knock-on effects continued to cause a slowdown in economic growth for the UK, with GDP growing by 1.4% in 2019. Business investment remained weak, in keeping with the trend seen since the 2016 Brexit referendum, with companies reluctant to spend in the light of the uncertainty. Despite softer growth, unemployment reached an all-time low of 3.8% in 2019. However, slowing wage growth and rising household debt were consequences of the weak growth environment and placed downward pressure on consumer spending. The UK has also suffered from a persistent decline in productivity, a measure of output per worker, which has further hampered economic growth.

The UK economy contracted by 1.8% in 2020's initial quarter as the early stage impacts of the Covid-19 pandemic began to be felt and the IMF forecasts a 6.5% contraction in GDP for the year as a whole because the UK's largely service-based economy is likely to be particularly badly affected. The services sector, including financial services, hospitality and tourism, makes up about three-quarters of the UK's GDP, according to the OECD.

In response to the crisis, the UK government launched a fiscal relief package of close to GBP400bn. The Bank of England (BOE) also responded by cutting interest rates to 0.1% and launching an additional GBP200bn worth of bond buying under its QE scheme. Despite these efforts, the unemployment rate could increase by the end of 2020, according to the OECD.

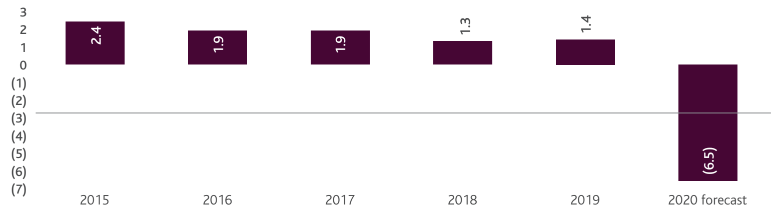
The pandemic is likely to have a significant negative impact on the retail property market and amplify pre-existing issues. Reduced consumer footfall and spending, accelerated online penetration and growing vacancies as a result of increased company voluntary arrangements and space rationalisation will significantly impede recovery in the retail property sector and are likely to further accelerate the downward momentum in property valuations that was evident prior to Covid-19.

Unemployment rate (%)



Sources: IMF, Bloomberg, OECD, Office for National Statistics

GDP growth rate (%)



Sources: IMF, Bloomberg, OECD, Office for National Statistics

INDEPENDENT ECONOMIC OVERVIEW continued

TIMELINE

South Africa

15 March
Covid-19 pandemic declared a national disaster

18 March
Patron numbers limited at restaurants, clubs and pubs

19 March
- Price controls introduced on essential items after panic buying, with price gouging penalties
- Almost all land and sea entry points to South Africa close

20 March
SARB decreases repo rate 100bps to 5.25%

23 March
- Nationwide 21 days lockdown from midnight 26 March announced
- Growthpoint shifts to remote working

26 March
- Growthpoint confirms HY20 distribution and withdraws FY20 guidance
- All air travel to and within South Africa is suspended
- Major hospital operators start suspending elective surgeries

27 March
- Lockdown begins. Only retail deemed essential is allowed, being basic foods, groceries and pharmacy items, petrol/diesel and banking. Only essential work allowed, such as emergency healthcare, security services, those performing or supporting essential retail, and limited function of industries that cannot be shut down, such as agriculture and mining.
- All borders are closed during the lockdown, except for a handful for the transportation of fuel, cargo, and goods
- Ratings agency Moody's downgrades South Africa's credit rating to sub-investment grade

March

6 April
In tandem with the sovereign rating, Moody's downgrades Growthpoint's credit ratings

7 April
The Property Industry (PI) Group, announces industry-wide assistance and relief for retail tenants, focused on SMMEs

9 April
Lockdown is extended by 14 days

15 April
SARB decreases repo rate 100bps to 4.25%

21 April
Announcement of R500bn Covid-19 package

23 April
Risk-adjusted strategy to reopening the economy is announced

28 April
The PI Group increases and extends its assistance and relief guideline for retail tenants

April

1 May
- The staged reopening of the economy starts with Level 4. Restaurants and fast food outlets allowed to deliver with restricted hours. Permitted retail categories increased to include children's clothing, adult winter clothing, bedding, heaters, personal ICT and home office equipment, baby and toddler care products, stationery and education books, toiletries, hardware, and vehicle parts
- Hospitals allowed to recommence with medically necessary time sensitive surgical procedures

22 May
SARB decreases repo rate 50bps to 3.75%

May

1 June
Lockdown eased to level 3. Retailers can sell their full merchandise. Curfew temporarily ended. Alcohol sales temporarily unbanned. Most retailers and businesses may operate, with limitations

29 June
Lockdown loosened further to accommodate "Enhanced level 3" regulations. Restaurants for sit-down meals with limited capacity. Personal care services, including hairdressers, can open. Cinemas and galleries can open with limited capacity

June

Romania and Poland

13 March
Poland: Lockdown

15 March
Poland: borders close

16 March
Romania: State of emergency declared

20 March
Poland: Lockdown restrictions prolonged until Easter

21 March
Romania: All shopping centres closed, except for the sale of food, veterinary or pharmaceutical products and cleaning services

March

1 April
Poland: "Anti-crisis Shield" programme launched to support financial safety of employees and protection of jobs, finance of business, healthcare, enhanced financial market soundness and public investment

20 April
Poland: Stage 1 of four-phase plan to loosen restriction begins. Access to shops is increased, public spaces opened, but remote work still in place wherever possible

April

4 May
Poland: Stage 2 sees shopping malls open with customer limits and without recreation and restaurants, hotels, museums, libraries and theatres open

14 May:
Romania: 30-day state of alert decreed, relaxing from the state of emergency

18 May
Poland: Stage 3 sees opening of restaurants, cafes, bars, and hair and beauty salons.

20 May
Poland: At Stage 4 gatherings of 150 people allowed and no limits on people in the trade and catering industry

May

15 June
Romania: Malls open

June

TIMELINE

Australia

March

3 March
RBA slashes cash rate to record low of 0.5%

12 March
Australian Government announces first round of business financial assistance – AUD17.6bn

13 March
Australia forms a "National Cabinet" – Federal, State and Territory leaders – to enable a united approach to the Covid-19 crisis

17 March
All international travel banned

18 March
GOZ transitions all employees to work from home

19 March
- RBA slashes cash rate to record low of 0.25%
- Strict social distancing imposed

22 March
- Australian Government announces second round of business financial assistance – AUD66bn
- Greater leniency declared for insolvency and bankruptcy as well as temporary relief for directors trading while insolvent

23 March
Lockdown starts – bars, clubs, cinemas, casinos and gyms are closed

24 March
Everyone encouraged to work from home

25 March
Borders close Non-essential businesses close

26 March
GOZ withdraws guidance

27 March
Many shops close their doors and stand down staff

29 March
Six-month moratorium on rental evictions announced

30 March
Australian Government announces third round of business financial assistance – AUD130bn

April

7 April
Mandatory code of conduct for commercial tenancies announced

27 April
Restrictions begin to relax, starting with Western Australia

May

8 May
National Cabinet agrees to a three-step plan and a national framework to bring Australia out of lockdown over the next few months, with states and territories moving at different times in response to local conditions

June

20 June
As the country begins to open, community transmissions rise again in Victoria state, and the south-east of Australia. The re-tightening of restrictions in Melbourne are announced

30 June
Several postcodes in Melbourne go back into lockdown

United Kingdom

March

1 March
Health Secretary sets out Covid-19 "battle plan"

3 March
A four-phase action plan is announced: contain, delay, research, mitigate

11 March
- BOE cuts Bank Rate by 50 basis points to 0.25% and introduces new measures to support borrowing and market liquidity
- Budget 2020: various grants announced for health response, sick pay, hardship, increased business rates relief, small business assistance, and tax for businesses and self-employed people in financial distress

12 March
UK moves from "contain" to "delay" phase

17 March
Planning rules relaxed to allow restaurants and pubs to operate as takeaways

20 March
- Indoor leisure, hospitality, entertainment close
- Job retention scheme is announced
- BOE cuts interest rate from 0.25% to 0.1% to support economy

23 March
- Lockdown starts, only essential retail & services remain open
- GBP330bn in government support for business becomes available. Coronavirus Business Interruption Loan Scheme and Corporate Financing Facility to support businesses to access bank lending and overdrafts

24 March
Capital & Regional proposes a scrip dividend alternative to its final dividend for FY19

April

23 April
High street shops and other companies under strain are protected from aggressive rent collection and asked to pay what they can during the pandemic. Statutory demands and winding up petitions issued to commercial tenants to be temporarily voided. Laying of secondary legislation to make changes to the use of Commercial Rent Arrears Recovery (CRAR), to provide tenants with more 'breathing space' to pay rent

May

13 May
First lockdown easing: those who couldn't work from home could return to their workplaces

19 May
Government extends halt on business evictions until September

21 May
Capital and Regional alternative scrip dividend scheme is approved at AGM

June

1 June
Second lockdown easing: more people can be outdoors and meet with social distancing, outdoor markets and car showrooms allowed to reopen

18 June
BOE announces new GBP100bn stimulus package for the UK economy

29 June
Third lockdown easing: non-essential retail allowed to reopen with guidelines

CHAIRMAN'S REVIEW

Offshore assets

40.8%

B-BBEE rating

Level 2

Francois Marais
Chairman

Our conservative approach to business has sustained us in a difficult environment and our asset diversification, strong balance sheet, good credit rating and discipline as well as the skills base and commitment of our staff, will ensure continued success.

This year, our focus remained firmly on generating quality earnings from high-quality physical property assets in South Africa and internationally. The ongoing renewal of our Board was an important consideration, while the need to safeguard the health and wellbeing of our staff, partners, stakeholders and wider community, along with the financial health of our business, was highlighted by the Covid-19 pandemic.

In consultation with shareholders, we took a decision to introduce firm policies concerning the Board to support our good governance. A tenure policy will ultimately see Non-executive Directors have a fixed 12-year term, irrespective of whether their elected term has run its course. Another important change is that our directors may now not serve on more than four boards at the same time and that the chairman may chair no more than two companies at the same time.

In our drive to renew the Board, we made three new appointments during FY20 and a further two appointments after the year end. Our primary aim is to ensure that the Board is adequately endowed with directors who understand our business and have a range and depth of skills. In line with our undertaking to support diversity and inclusiveness, we are striving to improve the racial and gender balance that Growthpoint has already achieved.

Early in the process of selecting and appointing new Board members, senior directors and management were engaged to determine the required criteria. Given the prominent recent cases of governance failure, skill-sets were identified as the overriding consideration, and this was confirmed with our shareholders. Once the new appointments are finalised, there will be two steps left to complete the renewal of the Board. The first is my replacement as chairman, although I have undertaken to stay on until the end of FY21 to provide continuity to the new chairman-elect. The second step is to appoint the new chairperson of the Remuneration Committee.

Growthpoint has always endeavoured to have a strong Board, and leaving it stronger has proved to be an immense challenge. However, we remained true to the principles that we set ourselves and agreed with our shareholders, and we are confident that we have introduced significant additional skills and experience to refresh the Board. Indeed, the effect of this is already evident.

The Covid-19 pandemic helped with the onboarding of the new directors. The analyses and stress-testing processes we had to undertake as we worked through and strove to understand the many different levels of Growthpoint's business in context of the changes in our operating environment and markets proved to be an intensive "masterclass" for the new directors, and a novel opportunity to get to grips with the business. They were able to come on board faster and with a more thorough understanding of the business than the most exhaustive induction programme would usually have facilitated.

In response to the challenges of the pandemic during the final months of FY20, the Board communicated and met much more frequently, not only to address immediate continuity issues, but also to reinforce long-term sustainability. No aspect of Growthpoint's business model was excluded from its analysis and review.

The level of our market disclosure and frequency of updates provided over this period was well beyond what was required. We have always believed in best-practice, transparent, quality disclosure and remain committed to it.

Well before the outbreak of the Covid-19 pandemic in South Africa, the strain on the country's economy was evident, as evidenced by the increasing number of rental defaults. Nevertheless, Growthpoint was well on its way to meet its forecasts before the onset of Covid-19.

In response to the pandemic, we undertook a thorough strategic review, considering everything from our approach to sustainability and capital management to our dividend pay-out ratio and asset allocation. Responsible REITs around the world are all asking themselves similar questions in the current environment and we believe this precedes a global re-set that will result in enhanced sustainability in the entire REIT sector.

In view of the above, the Board is still considering the final dividend which will be based on a pay-out ratio of not less than 75% of distributable income for FY20 which will ensure compliance with current REIT legislation.

If it were not for our internationalisation, Growthpoint's results for FY20 would have been very different. Our original international investment, GOZ, has proved successful. It has protected Growthpoint's performance in a difficult period for the South African business, with the V&A Waterfront having been hit particularly hard.

The prolonged deterioration of the South African economy was accelerated and intensified in the final four months of FY20, and business confidence is at an all-time low. However, we remain confident about Growthpoint's prospects.

Our conservative approach to business has sustained us in a difficult environment and our asset diversification, strong balance sheet, good credit standing and discipline as well as the skills base and commitment of our staff, will ensure continued viability. We have comfortable headroom across all loan covenant metrics and access to R7.4bn (R3.1bn in RSA and separately R4.3bn in GOZ) in committed undrawn credit facilities. Growthpoint has sufficient liquidity to continue to operate efficiently and effectively, advance its strategic initiatives and take advantage of opportunities.

The lesson learned from this crisis is that a conservative, sustainable long-term business model, together with the people and skill-sets that built our portfolio, have created a platform that was not only strong enough to weather the storm of Covid-19, but will enable us to maintain a solid, defensive, sustainable position.

With the benefit of hindsight, we realised we should previously have disposed of certain properties in our South African portfolio. This ongoing strategic priority is now receiving focused attention. Growthpoint has enjoyed the benefit of size, which makes us the leader in the property sector and a low credit risk and an obligatory holding for indices and tracker funds. We have for example consistently been included in the FTSE/JSE Top 40 Index, the FTSE EPRA/NAREIT Emerging Index, the FTSE4Good Emerging Index and the FTSE/JSE Responsible Investment Index, and maintained inclusion in all these indices this year.

The importance of ESG motivates us to continuously improve and do the right things. This in turn enables us to earn better independent ratings for ESG. We are assessing our current position in order to take our environmental and social commitments to the next level – in line with international best practice, trends and investor requirements – by building on areas of relevance, improving good performance, closing gaps, managing risk and acting in areas where we fall short.

CHAIRMAN'S REVIEW continued

Environmental sustainability, and being innovative in energy, water and waste efficiency and green building, are priorities. For some time now, we have sought to be the leader in these areas and will continue to do so. Not only is it the right thing to do but commercially, it is essential to enable us to attract quality tenants. We have the benefit of being able to apply what we experience and learn through GOZ, GWI and C&R in their developed markets.

We have completed the migration to our new state-of-the-art IT system, and the timing is fortuitous, given the increased competition in the market. The system gives us more tools to manage our portfolios more efficiently, to the benefit of clients. It will make us more competitive by enabling us to drive greater energy, water and cost savings in our buildings that we can share with our tenants and so alleviate the impact of rising administrative costs on their businesses. This is becoming more and more important in view of continuous increases in electricity tariffs and the ever-higher rates and taxes levied by municipalities, which pose an existential threat to the South African property industry.

The lack of service delivery and levying of uncommercial prices for services provided, coupled with the mismanagement of the economy, make it more and more challenging for our clients and us to do business in South Africa.

Given the quality of our portfolio, the skill of our people and the strength of our international portfolio, Growthpoint is in a better position than most of our peers to work through the challenges.

The business has sharpened its focus on clients and we will intensify our efforts as a client-centric business to retain tenants and attract new ones.

Staff health and wellbeing is important to the Board. We continue to monitor the wellness of our staff through our HR and Remuneration Committee. The pandemic has also obliged us to be even more aware of health and safety in our shopping centres, offices and warehouses.

Sustainable transformation is also a priority for Growthpoint. We are doing well in maintaining a level 2 B-BBEE rating. However, skill shortages remain a challenge. We have dedicated initiatives in place to improve the skills of our staff at all levels. Through the Property Point programme we also endeavour to make a contribution to the industry as a whole by upskilling smaller players. Making sure the necessary skills are available for our business benefits the entire property sector.

Growthpoint's Board and management are working hard to actively manage outcomes. Our focus continues to be a long-term, sustainable business.

We have taken the decision, amid the current uncertainty, to not provide the market with guidance. Growthpoint has communicated often and appropriately with the market to update it on our position and performance, and we will continue to do so.

I am grateful to my colleagues on the Board for the knowledge, insight and sound judgement they bring to all our deliberations. I extend a warm welcome to our new members and look forward to the journey with them that lies ahead. I would like to add my specific thanks to Lynette who resigned in FY20 and Mzoli, Ragavan and Eric who are to resign at the forthcoming AGM, for their long service and contributions.

I also extend my gratitude to our valued clients, partners, funders and investors without whose support our success would not be possible.

My sincere appreciation goes to the entire Growthpoint executive team, management and staff, for their ongoing dedication to the business, and especially for stepping forward to face the challenges of the Covid-19 pandemic with courage and commitment.

I am pleased to conclude that Growthpoint is in a robust position to protect its strengths and optimise its business with innovative and sustainable property solutions that safeguard and create value for all our stakeholders.

Francois Marais
Chairman

GROUP CEO'S REVIEW

Distributable income per share

183.1 cents

Group EBIT from offshore

28.2%

Norbert Sasse
Group CEO

For now, we remain alert to opportunities but averse to risk. In the short to medium term, our priorities will be defined by the actions necessary to protect our balance sheet.

As we moved into the financial year, we were concerned about the low economic growth which, over the previous five years had averaged only 0.6% and led to negative property fundamentals. We were expecting a tough year and anticipated performing in line with FY19, with nominal growth overall.

While we were recording negative growth in the South African environment, the gains we were set to make from the V&A and our offshore investments, together with the benefit from currency gains, meant that we were substantially on track to achieve our guided performance, as was evident from our results for the first six months of the financial year. We remained on track until mid-March, near the end of the third quarter of FY20.

Just days after we announced our half-year performance, the government announced a state of disaster in response to the Covid-19 pandemic. A week later, the initial 21-day lockdown was announced. At that stage, it could not be foreseen that it would result in such harsh, restrictive and protective measures. No one could have anticipated how difficult it would be. Since then, the world has been turned upside down.

Events in the final quarter of our financial year have had a material impact on our South African business, as described in the relevant section of this report.

The V&A has been a standout performer for Growthpoint for the past five years and a key contributor to its growth. This investment has long been a defensive buffer against the weak South African economy because of its exposure to international tourism, but this strength quickly became a weakness when the lockdown caused it to lose its biggest market completely, and we expect it to suffer disproportionately to the rest of the South African portfolio until international tourists feel safe to return to Cape Town.

The impact of loss of tourism on the V&A would have been even worse if not for its diversification of uses, including offices, industrial, marine and residential properties, all of which have been much more resilient.

GROUP CEO'S REVIEW continued

However, the socialising for which the V&A is designed, from its restaurants and entertainment venues to its events, was severely curtailed during the first three stages of the lockdown. In addition, the high proportion of fashion and jewellery in its retail mix is largely reliant on discretionary spending which also decreased, notably due to the absence of international visitors as well as the economic fallout of Covid-19 locally.

We thus expect a slow recovery at the V&A to start gaining traction only towards the end of 2020 and to begin approaching pre-Covid-19 levels only in the latter half of 2021.

Our international investments in GOZ and GWI were also affected by Covid-19, but to a much lesser extent, mainly because of their focus on the office and industrial property markets, not retail. GOZ's customer base is weighted towards large, listed corporates and government, making it defensive. Likewise, GWI is mainly tenanted by large multinational and national businesses, which has protected it. Of its two portfolios, Romania outperformed due to the Polish portfolio's greater but still low exposure to retail and small businesses in multi-tenant buildings.

Operationally, our investments in Australia and CEE are doing well. They are liquid and sustainable and have enviable access to new liquidity as well as unutilised debt facilities. Even so, as has become common in this environment, both have taken a conservative approach to reduce dividend pay-out and payment ratios to conserve their strong liquidity and balance sheets. As a result, Growthpoint received less dividend income from these entities in FY20 than initially expected.

Our new international investment, UK shopping centre owner C&R, has faced much greater challenges than GOZ and GWI. While Brexit and the accelerating shift to online retail have significantly changed the UK retail scenario in recent years, there were still some exciting opportunities for us when we made our investment in December 2019. Since then, the impact of Covid-19, coming on top of the already weak economy, has been severe on the UK property market. Valuations have plummeted further and faster than we expected when making this investment and the retail environment has deteriorated with the UK's lockdown. This has had a negative effect on C&R's operations and placed limits on its performance.

On 9 July, Growthpoint advised the market that its distributable income per share for FY20 would be more than 15% lower than for FY19, with the final number being 16% lower.

In the last three months of the financial year and right up to the date of this report, we placed much emphasis on managing liquidity within the Group after paying our half-year dividend of R3.3bn in March.

Growthpoint enjoyed a strong liquidity position at the onset of the Covid-19 pandemic in South Africa, and defending and increasing this became an immediate priority. Our focus turned to capital management, securing additional facilities from domestic and international banks, refinancing bonds and managing expiries in the bond market.

Growthpoint became one of only a few companies that successfully refinanced a bond in the midst of the Covid-19 crisis, and we were able to increase the size of the refinance significantly. This is a remarkable achievement.

Focusing on containing expenses, we scaled back on capital and development commitments, except for those projects that had already started and were advanced or nearing completion. New investment and development activity will remain suspended for the immediate future.

When entering the final quarter of FY20, we were still confident of achieving results in line with our guidance. At that stage, there was already a trend among SA REITs of considering lower dividend pay-out ratios to strengthen balance sheets and manage liquidity, with 75% being the lowest level permitted for a SA REIT, but Growthpoint was not actively reconsidering our historic policy of paying 100% of distributable earnings. However, with the dramatic change in our operating environment, it became necessary to review our policy in this regard. While we were cognisant of the call from a number of our investors for Growthpoint to withhold the payment of our dividends in totality, we felt that a balanced approach which took into account the needs and requirements of all our shareholders, from the biggest to the smallest investor, as well as our funders and many other stakeholders, would be more appropriate. We also needed to ensure our continued REIT status, and as a result it was decided to reduce the dividend payment ratio to not less than 75%.

We are also adopting a more conservative approach to the manner in which we determine distribution per share, to ensure that our dividends are sustainable. This approach is likely to result in a reduction in the traditional 100% distribution ratio.

Notwithstanding the industry-wide discussions with the JSE and the National Treasury for temporary concessions for REITs with regard to dividend payment ratios, Growthpoint's FY20 dividend payments will be sufficient to comply with the requirements necessary to maintain REIT status. While there is likely to be a tax liability on any retained earnings, we aim to ensure that this is managed in a way that is both tax efficient and compliant.

At the same time as South Africa locked down to flatten the curve of Covid-19 infections and the economy shut down, Moody's downgraded the country's credit rating to sub-investment grade and our own international and national ratings were adjusted in step with this, which is not a factor within our control. We premise our LTV and debt covenants on Moody's measures. This is not an immediate concern, but we remain mindful that our debt covenant and solvency ratios as well as our ICR's are likely to decrease as property values come under pressure globally and in South Africa in particular. They will need to be managed in the medium term to ensure we have sufficient headroom on the measures that Moody's focuses on. We will do this to maintain Growthpoint's optimal credit rating in an environment where asset values are expected to decrease.

We believe property values could decline by a further 10% in the next 12 to 24 months. Growthpoint adjusted its property values down nominally at the half-year as a result of the depressed economy and a further 8.8% at the end of FY20 due to the broader economic impact of Covid-19. At this stage, the market consensus is that it will take at least four to five years to return to pre-Covid-19 levels. In a slow and gradual recovery, it is inevitable that our asset values and income will come under further pressure. The vast majority of downward valuations will be linked to lower income assumptions, stemming from lower rental income growth, higher vacancies and costs, while around 20% can be attributed to discount rates moving higher.

The consolidated Group loan-to-value ratio (SA REIT LTV) was 43.9% for FY20 (FY19: 36.7%) and includes the increase in net derivative liabilities from R116m in FY19 to R3 155m. The LTV would have been 2% lower if derivative liabilities were not included.

To minimise the risk of spreading the Covid-19 virus within Growthpoint's operations, we imposed strict measures to protect our employees and all who use our buildings. We invested extensively in safety and sanitation at our many properties, including shopping centres across the country that were supporting essential retail, to safeguard the wellbeing of millions of South Africans.

We also prioritised the financial security of our people, and protected livelihoods by retaining all our employees and maintaining salary levels.

Throughout this worrying and challenging time in South Africa, the most significant impact of the Covid-19 lockdown measures has been financial. Our clients' inability to access or use their premises as a consequence of the lockdown set the stage for the non-payment of rent, leading to a sudden, dramatic and unpredictable change in our business. We were collecting 98% of contractual income one month and struggling to reach 70% of collections the next. While not immediately measurable, the financial effects of the lockdown were felt by our staff, client base, business and supply-chain partners, all their communities and beyond.

All our teams faced extreme operational difficulties. Our retail team tackled the enormous task of managing shopping centres during lockdown. Vague and confusing regulations from the government resulted in clients, shoppers and regulators all interpreting them differently. The situation changed monthly from April to June, each time with substantial deviations and ambiguous orders. The challenge of managing operations in choppy waters awash with ambiguity, was profound. It soon became equally difficult for our office team and, to a slightly lesser extent, our industrial team. The on-site management of our properties intensified, with the need to vacate and deep clean them regularly. The pressure of dealing with all these issues has been profound for everyone, including our HR team and our management teams, and I offer my thanks to each one of you.

Growthpoint was also a major contributor to the property industry's response and relief efforts, with our SA CEO leading the initiative and Group FD and others making significant contributions. The details of the Property Industry Group's initiatives, and the positive impact they have had on the sector and our business, are mentioned throughout this report, specifically in the SA CEO's review.

Growthpoint was proactive in managing the evolving lockdown situation by being in constant communication with all our tenants and adopting an open and collaborative approach. We provided material financial stimulus to our customer base. We moved quickly to offer support, mostly in the form of R436.3m worth of rent reductions and deferments early in the process, to try to ensure the sustainability of our clients through and beyond the pandemic. Sustainability was at the heart of our actions and decisions. Our goal was to help our clients to weather the storm and so also to protect the sustainability and security of our income.

Our ability to respond to this crisis with the necessary agility and composure was enabled, in part, by the excellent Board support that our management enjoyed. The significant knowledge of and insight into Growthpoint, of our longer-serving Board members, together with the wealth of experience and fresh approach of new members, has served the business well during this most trying of times. I extend my appreciation to all our Board members, and to our chairman Francois Marais in particular, for the availability, guidance and conduct that was a tremendous support to our entire executive team during a difficult time indeed.

The crisis has highlighted the plight of the unemployed, uneducated and other vulnerable members of South Africa's population. There is no doubt it will also redefine acceptable corporate conduct. Profiting at all cost has become unpalatable and business is going to have to take into account key issues such as environmental sustainability and poverty alleviation to a much greater degree than previously. We are entering an era where business will be more socially responsible, starting with the direct connection to employees and their families and extending to communities and the country as a whole. The Covid-19 pandemic also resulted in business in general, and Growthpoint specifically, viewing sustainability in a new light.

In FY20 we persevered in our corporate social responsibility, which is focused on sustainable entrepreneurship and creating bright futures through education. Various projects are described throughout this report and more detail can be found in the CSR and HR sections. During the Covid-19 lockdown, we stepped up our support of these initiatives and helped them adapt. We also redirected some of our CSR spend towards greater hunger relief and access to technology and connectivity. In addition, many of our business leaders supported the national response to the pandemic by contributing to the Solidarity Fund, furthering the country's consolidated effort to detect and prevent the spread of the Covid-19, care for those in hospital, ensure a supply of personal protective equipment and feed and shelter people left vulnerable by the pandemic.

Even in the uncharted waters of the Covid-19 pandemic, our commitment to the environment is steadfast. In fact, we believe healthy and sustainable environments have taken on new relevance and will gain even more in the wake of the pandemic. You can read more about our environmental sustainability highlights on page 60.

The short-term impact of the pandemic for us was felt in the tsunami of rental relief requests received and the sudden difficulty of recovering rent as a result of the lockdown, as detailed above.

The medium-term impact is being felt in the devastating effect the pandemic has had on the global macro-economy and the decimation of our local economy. It has hurt our business and our customer base and we all face a long, slow and difficult road to recovery of at least four years.

Beyond this, in the medium and long term we expect to see trends that were already evident pre-Covid-19 gaining greater traction, from online retail in some segments of the market to a more dynamic mix of working options in some business sectors. These will not immediately have dramatic impacts but will drive longer-term structural changes in the property market. Fortunately, Growthpoint had previously identified many of these shifts and already started developing and testing strategies to respond to them.

For now, we remain alert to opportunities but averse to risk. In the short to medium term, our priorities will be defined by the actions necessary to protect our balance sheet. Once our balance sheet position allows more agility, we will continue driving forward the three pillars of our long-term strategy.

Having assessed our strategic pillars – internationalisation, introducing new income streams and optimising and streamlining our South African portfolio – in the light of the expected future operating environment, to the extent that this can be known, they all remain relevant.

We will have to wait for liquidity to return to the market before we can further our desire to expand offshore and progress on our internationalisation strategy. In the meanwhile, we will sharpen our focus on and refine our approach to international investment.

Building on the good momentum gained in introducing new income streams with our Funds Management strategy, we will continue to pursue and possibly accelerate our efforts in this area, where opportunities are more likely to arise, given the challenges in the current market and this platform's efficient use of capital.

In this environment, it is reasonable to expect that the scale of our trading and development activity and their income streams will decrease, with development opportunities being scarce and generally less feasible and trickier to fund. We will rigorously assess all development and investment risk. We have suspended all speculative development. New development projects, if any, will be restricted to opportunities that are necessary to create immediate guaranteed additional value, which are likely to be small, tenant-driven reconfigurations of existing assets.

Portfolio streamlining and optimisation will continue to underpin our South African strategy. This was already challenging pre-Covid-19 and will be even more so in the future. There are few buyers in the market and little capital.

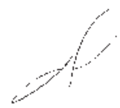
In determining our prospects, the macro-environment is deeply concerning. The South African economy is expected to shrink by 7% to 10% this year, the deepest contraction in nearly a century. The stringent Covid-19 containment measures severely disrupted economic activity in an already stuttering economy.

Even before the restrictions were imposed, South Africa was in recession and unemployment at 30% was at a 17-year high. One of the world's strictest lockdowns has left millions more jobless and slashed economic output. Investment outflows in the first half of 2020 were at the highest levels on record, while consumer confidence was at the lowest since 1985, when the country was the target of global economic sanctions due to its apartheid policies. The government intends to cut spending by R230bn over the next two years and national debt, which was a record high 62.2% in 2019, had reached 80% at the time of writing and is set to surpass GDP soon if not kept in check.

Our prospects are inextricably linked to our operating environment. As the world and the South African economy recover gradually, we have a tough couple of years ahead of us. But we are a strong and diversified business, and this is precisely the time when our conservative approach to management is designed to support outperformance.

Growthpoint has the advantages of a strong balance sheet and good credit standing, diversification across geographies and sectors and best-practice corporate governance. We will place even greater emphasis on proactive and prudent balance sheet and liquidity management going forward and ensure that we are effective and efficient in the management of our operations to enable us to pursue suitable opportunities to further our stated strategies.

Our performance in the year ahead will be defined by optimal and efficient use of capital to achieve our clearly stated strategies and drive higher returns, by protecting the strength of our balance sheet with conservative financial management and by fully utilising the abilities of our people, who are our greatest strength. Growthpoint's robust business platform is built on our core skillsets of funds management, financial, asset, development, property management, leasing and facilities management and we will continue to leverage our multi-skilled platform to ultimately grow our business and deliver superior returns.



Norbert Sasse
Group CEO

FINANCIAL DIRECTOR'S REVIEW

Combined property assets

R166.7bn

Market capitalisation

R40.4bn

Gerald Völkel
Group Financial Director

Protecting our balance sheet and cash flow will remain a firm priority and will receive even more attention going forward.

Our finance team executes Growthpoint's prudent approach to financial management, which underpins the strength of our balance sheet, our liquidity and our ability to transact and attract funding and investment. These characteristics of our business are crucial at any given time but became critical this year to an extent that none of us could have imagined.

Our performance for the first nine months of the financial year was in line with our goals and projected results. However, the Covid-19 pandemic changed this and our focus at Group level quickly shifted to managing our income streams, in tandem with our expense requirements, to ensure our ability to pay salaries, suppliers, interest to our funders and other obligations. Rental collections were monitored constantly, credit adjustments were passed and cash flows were assessed daily.

Growthpoint, like most of our peers in the REIT sector, found ourselves between a rock and a hard place, expected to forfeit rental income from struggling tenants but still honour all our own payment obligations. During the first three months of the Covid-19 lockdown in South Africa in FY20, the initial immense administrative burden and uncertainty did ease up as it become evident that we were able to collect enough income to service our commitments. Nonetheless, this was a tough time for our team and the business.

As the lockdown took its devastating economic toll on all business sectors, Growthpoint came to the table with rental concessions for our tenants in the form of both deferments and discounts. The guidelines drawn up by the Property Industry (PI) Group were a big help in structuring these agreements, and since we are a large business, the value of the rental relief we gave was a substantial number.

Capitalisation and discount rates increased in the course of FY20 and moved into a riskier band. The greater the negative effect, the bigger the impact on our underlying asset values. The vast majority of downward valuations will be linked to lower income assumptions, stemming from lower rental income growth, higher vacancies and costs, while around 20% can be attributed to discount rates moving higher.

Growthpoint has always taken a conservative approach to its balance sheet management. Protecting our balance sheet and cash flow will remain a firm priority and in fact will receive even more attention going forward.

REITs are obliged to pay dividends equal to 75% of their distributable income in order to qualify for the REIT tax dispensation. However, due to the financial shock of the Covid-19 pandemic, the sector was forced to ask regulatory and tax authorities for leniency on this requirement for a limited period so that if we under-distribute, we will avoid non-compliance, will not be penalised with additional tax charges and, crucially, will not lose our REIT status.

The JSE allowed leeway in the release of results and reports, given the challenges of auditing under lockdown. It also granted an extension for the payment of dividends.

The JSE's rules are, however, inextricably linked with tax regulations and there has to date been no response to the industry from National Treasury. In the light of this, we have decided to follow the in-force regulations to ensure our compliance, but to hold back on paying our dividends until December 2020 or earlier.

The people who make up our finance team were amazing and committed from day one of the Covid-19 lockdown. Our value set was a vital part of this performance. Our executives sharing their own experiences and communication from our HR department were two of the things that helped keep us motivated. We also drew inspiration from colleagues in the retail and facilities management teams who were hands-on in our buildings. Growthpoint employees showed that they are a great bunch of people capable of finding solutions in the face of great uncertainty. They got things done.

Our larger finance team – which encompasses a remarkable depth and breadth of knowledge – includes specialists in treasury, funding, tax, corporate action, legal, research and reporting. They all did a sterling job in trying circumstances and adapted quickly to safe, remote working. Only a few functions requiring the handling of masses of data needed occasionally to be run from the office.

Change in auditor

This year Growthpoint introduced EY as our new auditor after going through a comprehensive RFP process and receiving shareholders' approval to do so. Working with a new auditor is always an adjustment and to undertake this process during the Covid-19 lockdown was an additional challenge, considering the limited access to our premises and the fact that there are certain tasks that can only be performed there. However, we took it in our stride and managed not only to introduce our new auditing team but also to stay on track, meet our deadlines and keep to our audit schedule.

Tax updates

For the financial year we provided rental relief of R436.3m to our tenants with R158.8m in deferred rent (R17.4m recovered in the period) and R277.5m of rental discounts. Rental deferments were included in taxable income, whereas rental discounts were deducted therefrom. The HY20 dividend that Growthpoint declared in March 2020 meet the requirements of a REIT "qualifying distribution" for purposes of section 25BB of the Income Tax Act, No 58 of 1962, as amended (section 25BB). As a precautionary measure to provide the Group with additional financial flexibility and bolster its liquidity in unprecedented market conditions as a result of the Covid-19 pandemic, the Board of Directors resolved to defer its decision on a final dividend payment for the year ended 30 June 2020 until December 2020 or earlier. This dividend will also meet the requirements of a REIT "qualifying distribution" for purposes of section 25BB, but Growthpoint would be exposed to an income tax if this final dividend is smaller than the taxable income.

Carbon tax does not apply to Growthpoint currently but we are cognisant of its introduction and our approach is covered in the environmental section of the ESG report.

Reporting and communication

We were thrilled to be named overall winner of the Investment Analysts Society of South Africa (IAS) Excellence in Financial Reporting and Communications Awards 2019 and as the leader in communication and financial reporting in the property sector category. These awards underscore Growthpoint's commitment to providing accurate, meaningful and timely information to the market.

This is the third time we have received the overall IAS award and Growthpoint has been acknowledged for its excellent disclosure and the quality of information it provides to the market every year since 2011. While this is not the first time we have won both awards, it is one of the most memorable and rewarding, as every year the competition gets tougher and the bar gets set higher. Growthpoint has an incredibly talented team that drive the success of our financial reporting and communication and who can be incredibly proud of their achievements.

Given the economic and financial impacts of Covid-19 on business in general and the REIT sector specifically, we will keep a keen eye out for potential breaches of obligations. The gaps between loan covenant limits and our actual ratios have narrowed, and we will monitor this to raise red flags quickly, if and when necessary.

During FY20, the finance team was very involved in the preparation of the changeover to Growthpoint's new IT system, which will play a vital role in enabling us to further improve our reporting function and access to information. The switchover to the new system took place just in time for our new financial year, after a smooth journey in preparation to going live. Our FY20 reporting was completed using the old system for the final time.

Growthpoint was a contributor to the second edition of the SA REIT Best Practice Recommendation (BPR), which will now replace the first edition and be effective for financial year ends commencing on or after 1 January 2020. We have elected to adopt this new recommendation early and have also restated the FY19's figures in line with the new BPR this financial year for ease of reference and in line with our commitment to transparent reporting. We strongly support reporting in a manner that our stakeholders value and strive to always achieve the highest standards of reporting and transparency.

Changes to reporting requirements are a big issue for us and the metrics that underpin our compliance with the JSE's definition of a going concern, for instance, will receive greater attention in the context of the Covid-19 pandemic in order to avoid raising unnecessary red flags. Stress testing of key metrics and scenario planning will become more prevalent and be reported on more prominently, with additional layers of detail added to our collections reporting in terms of discounts, deferments, rental levels and so on.

FINANCIAL DIRECTOR'S REVIEW continued

Simplified distribution income statement

For the year ended 30 June 2020

	Notes	TOTAL GROUP FY20 Rm	FY19 Rm
Revenue	1	12 008	11 388
Property expenses		(3 234)	(2 635)
Net property income		8 774	8 753
Asset management costs		(418)	(350)
Other operating expenses		(162)	(85)
Finance and other investment income	6	1 310	1 322
Interest paid		(3 106)	(2 603)
Profit before taxation		6 398	7 037
Taxation	7	(180)	(118)
Profit before dividends and debenture interest		6 218	6 919
Minorities' share of profit and realised foreign exchange profit		(740)	(489)
Distributable income		5 478	6 430
Number of shares in issue (including treasury shares)		2 989 240 606	2 950 587 688
Distributable income per share		183.1	218.1

Simplified balance sheet

At 30 June 2020

	Notes	TOTAL GROUP FY20 Rm	FY19 Rm
ASSETS			
Property assets	8	140 013	118 092
Equity-accounted investments		17 537	15 515
Intangible assets	9	641	1 896
Derivative assets		1 607	1 016
Long-term loans granted		2 338	76
Listed investments		837	846
Unlisted investment		922	96
Equipment		63	10
Current assets		4 482	4 144
Cash and cash equivalents		2 420	882
Other current assets		2 062	3 262
Total assets		168 440	141 691
EQUITY AND LIABILITIES			
Shareholders' interest		67 877	74 908
Non-controlling interest		15 168	9 004
Interest-bearing borrowings		70 766	51 624
Lease liability		2 947	–
Derivative liabilities		4 762	1 132
Deferred taxation	10	3 820	2 792
Current liabilities		3 100	2 231
Trade and other payables		2 999	2 213
Taxation payable		101	18
Total equity and liabilities		168 440	141 691

Reconciliation between Statutory and Simplified financial statements

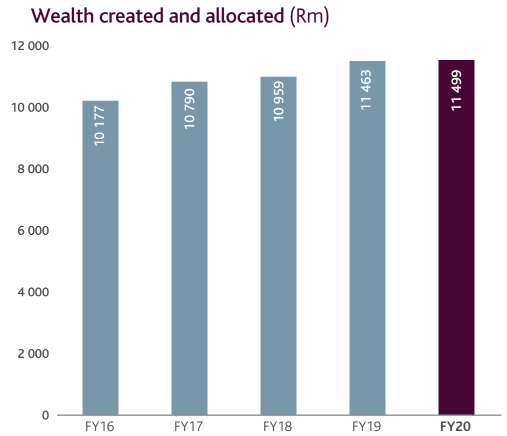
For the year ended 30 June 2020

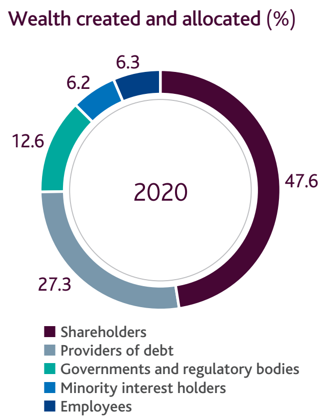
		FY20 Rm	FY19 Rm
1	**Revenue as stated**	12 361	11 554
	Less: Straight-line lease income adjustment	(353)	(166)
		12 008	11 388
2	**Fair value adjustments as stated**	(10 196)	1 223
	Less: fair value adjustments reversed	10 196	(1 223)
		–	–
3	**Equity-accounted investment profit**	(923)	33
	Less: equity-accounted investment profit reversed	923	(33)
		–	–
4	**Non-cash charges as stated**	(1 293)	(315)
	Less: non-cash charges reversed	1 293	315
		–	–
5	**Capital items as stated**	396	(38)
	Less: capital items reversed	(396)	38
		–	–
6	**Finance and other investment income as stated**	1 323	1 256
	Less: GWI/GPRE dividend declared after year end, based on FY19 earnings	(282)	(221)
	Add: GWI/GPRE dividend declared after year end, based on FY18 earnings	239	282
	Add: Antecedent dividend received	30	5
		1 310	1 322
7	**Taxation as stated**	(1 180)	(153)
	Add: deferred taxation	1 000	35
		(180)	(118)
8	**Property assets as stated**	139 029	117 312
	Add: investment property reclassified as held for sale/trading and development	984	780
		140 013	118 092
9	**Intangible assets as stated**	700	1 983
	Reversal of additional goodwill raised on deferred taxation liability*	(59)	(87)
		641	1 896
10	**Deferred taxation as stated**	3 879	2 879
	Reversal of additional deferred tax liability on intangible asset	(59)	(87)
		3 820	2 792

* *In terms of IFRS 3 Business Combinations, goodwill was created as a result of the deferred tax liability that was raised on initial recognition of the intangible asset acquired on the acquisition of the property services businesses.*

VALUE ADDED STATEMENT

	FY20 Rm	FY19 Rm	FY18 Rm	FY17 Rm	FY16 Rm
Revenue	**12 935**	12 313	11 817	11 565	10 570
Property and other expenses	**(2 124)**	(1 554)	(1 426)	(1 340)	(1 170)
Value added	**10 811**	10 759	10 391	10 225	9 400
Finance and other investment income	**688**	703	568	565	777
Wealth created	**11 499**	11 462	10 959	10 790	10 177
Shareholders	**5 478**	6 430	6 108	5 548	5 033
Providers of debt	**3 138**	2 627	2 597	2 922	2 710
Government and regulatory bodies	**1 447**	1 042	1 176	1 016	941
Employees	**707**	643	623	669	625
Minority interest holders	**729**	720	455	471	450
Reinvested in the Group (GOZ)	**–**	–	–	164	418
Wealth allocation	**11 499**	11 462	10 959	10 790	10 177





TREASURY MANAGEMENT

This report pertains to the treasury activities managed in South Africa.

Capital flows

Growthpoint's investment activities during FY20 were significant in terms of additional investment in the South African property portfolio as well as additional investments in GIAP and GWI and the debut investment in C&R. Growthpoint raised additional equity of R1.1bn via the Distribution Reinvestment Plan. Disposals of properties generated proceeds of R582m. The balance of the investment activity was mainly funded via debt, which showed an increase of R8.1bn, of which R1.8bn related to the translation of direct EUR, GBP and USD debt due to the weakening of the Rand.

Liquidity position

Liquidity preservation is of utmost importance during and after the Covid-19 crisis. At 30 June 2020, our unutilised committed facilities amounted to R3.1bn and the surplus cash balance was R142m. Post 30 June 2020, a Revolving Credit Facility Agreement has been signed with Standard Chartered Bank for R750m. The undrawn facilities are spread across several different financiers at different terms. At year end, loans due in the next 12 months amounted to R2.4bn. Capital expenditure projects have been curtailed to include only those that are critical. The Board of Directors will carefully consider the dividend pay-out ratio and the impact on Growthpoint's liquidity position.

Interest-bearing liabilities

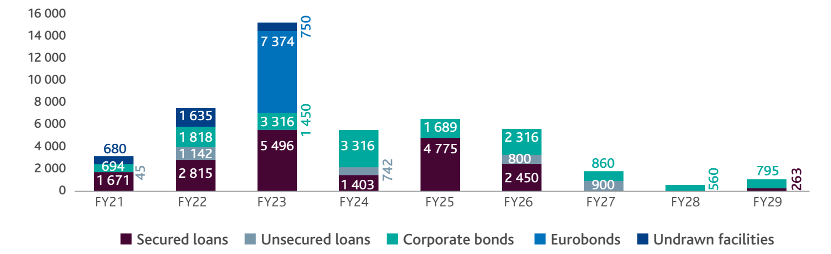
	FY20 Rm	% of total debt	FY19 Rm	% of total debt
South Africa				
Secured debt	**18 872**	**43.5**	15 134	42.9
Bank debt	**16 319**	**37.6**	12 582	35.7
Institutional financiers	**2 553**	**5.9**	2 552	7.2
Unsecured debt	**24 501**	**56.5**	20 106	57.1
Bank debt/Institutional financiers	**3 629**	**8.4**	3 476	9.9
Corporate bonds	**13 498**	**31.1**	10 650	30.2
Eurobonds	**7 374**	**17.0**	5 980	17.0
Total South African debt	**43 373**	**100.0**	35 240	100.0
Accrued interest	**290**		335	
Fair value on debt	**(388)**		480	
Australia and UK				
Secured debt				
Bank debt and loan note	**27 491**		15 569	
Consolidated debt	**70 766**		51 624	

The banks continued to support Growthpoint through the Covid-19 crisis. They provided additional loans and continued to support the re-financing of loans with imminent maturity dates. Similar to the debt capital market, additional loans granted in the last few months of FY20 were at higher margins and for shorter terms.

The South African debt capital market was effectively closed from the end of March 2020, due to the uncertainty around the Covid-19 impact. The Moody's downgrade of the South African sovereign rating from investment grade to non-investment grade exacerbated the uncertainty in the market. Towards June, fixed income investors remained broadly defensive but were generally showing more willingness to engage, with a focus on balance sheet strength and cash flow generation. Price discovery for listed notes remained a challenge, as issuers either did not issue or issued only on a private placement basis. Credit spreads widened significantly and appetite for longer-dated notes reduced. For example, Growthpoint issued three, five and seven-year notes via a public issue in November 2019 and one and three-year notes in June 2020, and the three-year note priced 85 basis points wider in the latter issue. We do expect conditions to normalise within the next 12 months. Of the total R4bn listed bonds issued in FY20, only R1bn was issued via a public auction, while the balance was issued on a private placement basis.

Liabilities of R3.8bn matured during FY20 and were successfully repaid, while facilities to the tune of R4bn (with a maturity date post 30 June 2020) were re-financed.

The weighted average term of the liabilities reduced to 3.6 years for FY20 from 4.0 years in FY19, as a number of liabilities were re-financed with shorter dated maturities due to the challenging economic environment.



Of total outstanding liabilities at 30 June 2020, 56.5% were unsecured liabilities, slightly down from 57.1% in FY19. Given the impact of Covid-19, it is anticipated that this percentage will decline further as funding in the debt capital market is likely to be restricted in the short term.

The ratio of secured loans to total property value for the South African operations was 21% at 30 June 2020. The unencumbered direct property pool at year end amounts to R34bn and our shares in V&A, GOZ, GWI, C&R and GIAP are all unencumbered.

In October 2019, Growthpoint's DMTN Programme was updated and brought in line with the current JSE Debt Listing Requirements.

Foreign exchange denominated liabilities

We support the principle of not using hard-currency denominated debt to fund the ZAR-denominated South African operations. We only take out hard-currency denominated debt for hard-currency denominated investments. In this respect, we view cross-currency interest rate swaps as synthetic foreign-denominated debt. These swaps are used to fund foreign investments because they are typically more efficient instruments from a pricing point of view than vanilla loans.

During the year under review, Growthpoint entered into a GBP facility to fund the investment in C&R.

Balance sheet hedge table

	Currency	Assets at NAV in millions	Cost in millions	Market value in millions	FX debt in millions	CCIRS in millions	FX debt + CCIRS in ZAR millions	Debt as a % of NAV FX LTV
GOZ	AUD	$1 736	$1 087	$1 536	$0	$970	R11 621	56%
GWI	EUR	€529	€543	€403	€50	€413	R9 018	87%
C&R	GBP	£140	£151	£50	£78	£0	R1 676	56%
GIAP	USD	$50	$50	Unlisted	$30	$14	R769	88%

Given the move in the foreign exchange rates, with the ZAR weakening by 23% between July 2019 and June 2020, the impact on the balance sheet in terms of the value of the interest-bearing liabilities as well as the mark-to-market on the cross-currency interest rate swaps was material.

Cost of funding

The weighted average cost of funding as per the SA REIT best practice recommendations is set out in the table:

SAREIT BPR – COST OF DEBT

As at 30 June 2020

Basis	ZAR Quarterly %	AUD Semi-annually %	EUR Semi-annually %	USD Semi-annually %	GBP Semi-annually %
Floating reference rate plus weighted average margin	6.1	0.0	1.6	0.0	2.0
Weighted average fixed rate	10.0	0.0	0.0	5.9	0.0
Pre-adjusted weighted average cost of debt	6.2	0.0	1.6	5.9	2.0
Adjustments					
Impact of interest-rate derivatives	1.8	0.0	4.9	0.0	0.3
Impact of cross-currency interest-rate swaps	0.2	4.1	(3.4)	(0.9)	0.0
Amortised transaction costs imputed into the effective interest rate	0.0	0.0	0.0	0.2	0.4
All-in weighted average cost of debt	8.2	4.1	3.1	5.2	2.7

TREASURY MANAGEMENT continued

Growthpoint's weighted average cost of debt has decreased significantly since FY19, due to the significant interest rate cuts implemented by the South African Reserve Bank (SARB) in response to South Africa's economic challenges and the Covid-19 crisis. These cuts have affected about 20% of Growthpoint's debt which is held at floating interest rates, although their impact has been slightly offset by a small increase in the weighted average margin on the debt.

The weighted average cost of debt for AUD synthetic debt also reduced in line with the lower interest rate environment in Australia.

Credit ratings and covenants

In April 2020, Moody's downgraded Growthpoint's global investment rating to Ba1 from Baa3 and its national investment rating from Aaa.za to Aa1.za, following the downgrade of the Government of South Africa to a sub-investment grade. The downgrade reflects Growthpoint's significant exposure to the real estate market in South Africa. Moody's recognises that Growthpoint's exposure outside of South Africa, from both a cash flow generation and asset point of view, as well as its good credit metrics, reduce the degree of linkage to the Government of South Africa's rating. However, Moody's does not consider that these positive factors warrant a delinking from the sovereign rating. The ratings have a negative outlook, which also reflects Growthpoint's linkage with the Government of South Africa.

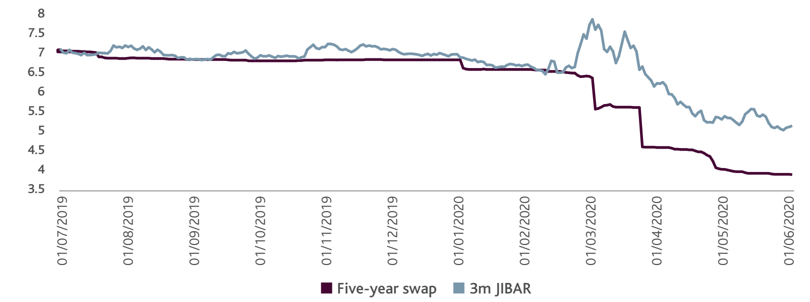
Due to the challenging economic environment and its negative effects on rental levels, vacancies and property valuations, the covenants embedded in the various loan agreements have come into sharp focus, and the headroom between the limits and the actual ratios has reduced. As the end of FY20, Growthpoint had not breached any of its covenants. Growthpoint's strictest corporate loan covenants are set out in the table:

Covenants	Limit	FY20 Including GOZ and C&R	FY20 Excluding GOZ and C&R	FY19 Including GOZ	FY19 Excluding GOZ
Loan-to-value ratio (as per SA REIT BPR)	≤55%	**43.9%**	**39.8%**	36.7%	32.0%
Interest-cover ratio (operating profit plus investment income/ net interest expense)	≥2.0x	**3.1%**	**3.4%**	3.8x	3.8x

Given Growthpoint's targeted loan to value ratio of below 40%, the Board of Directors is considering various strategies to reduce the loan-to-value ratio.

Interest rate risk management

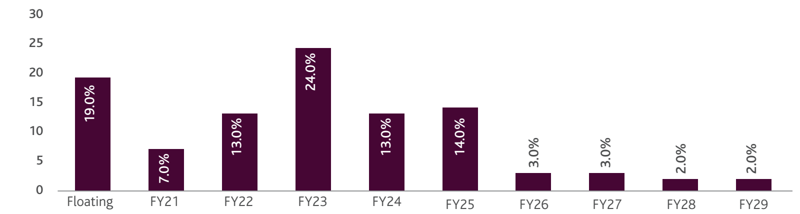
FY20 five-year swap rate and 3m JIBAR



As the Covid-19 crisis hit, swap rates peaked. However, immediately after that the SARB intervened and as at the end of FY20, swap and short-term rates were at historic lows.

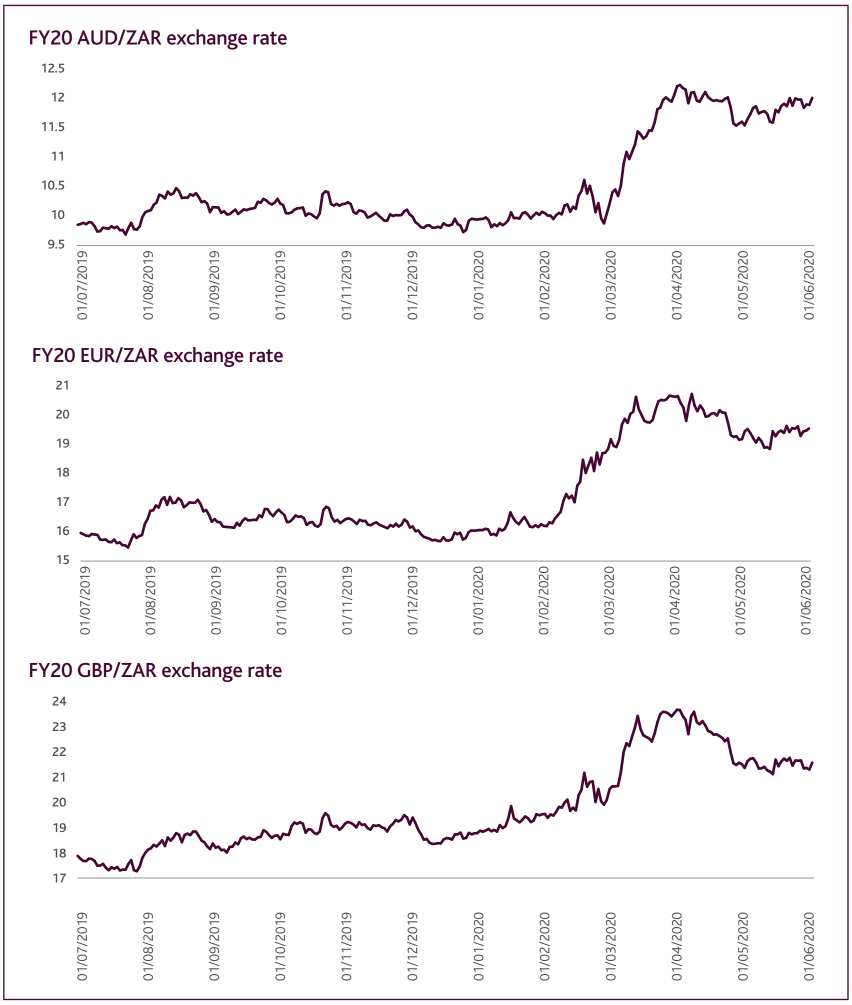
Since Growthpoint has a large debt portfolio, its earnings are exposed to changes in interest rates. The company has a policy of hedging at least 75% of its liabilities at a fixed interest rate to reduce volatility in earnings. At the close of this financial year, 80.6% of Growthpoint's liabilities were hedged at a fixed interest rate as opposed to 86.5% in the prior financial year. Should interest rates increase by a full 1%, Growthpoint would pay an additional R84m worth of interest, which translates to 2.8c in distribution per share. Growthpoint therefore believes that the interest rate risk is well mitigated.

FY20 fixed interest expiry profile – RSA (%)



The bar chart reflects a spike for FY23 as the fixed Eurobond matures in that year. The weighted average term of the fixed interest rate profile decreased from 3.6 years at June 2019 to 3.1 years as at June 2020.

Exchange rate risk management



The Rand is a volatile currency and was not spared in the Covid-19 crisis, although it recovered a bit from the highs at the end of April and into early May.

From a balance sheet point of view, the foreign denominated investments (GOZ, GWI, C&R and GIAP) are hedged via foreign denominated liabilities, either in the form of direct foreign denominated liabilities or via cross-currency interest rate swaps. The table "Balance sheet hedge table" on page 47 under the foreign exchange denominated liabilities section reflects the percentage hedging in the sheet.

Growthpoint's earnings are subject to exchange rate movements, largely due to the foreign exchange denominated dividend receipts from GOZ and GWI. Growthpoint mitigates this foreign exchange rate risk by matching the interest expense in the same currency as the dividend receipt and by fixing the balance of the receipts via forward exchange contracts (FECs).

FY21 FX DIVIDEND HEDGE TABLE

Investment	Currency	% dividends to be used for servicing FX interest	% dividends hedged to ZAR via FECs	Weighted average FX rate on FECs	Impact of ZAR1 change in FX rate on DPS
GOZ	AUD	28	39	11.56	0.9
GWI	EUR	73	59	19.54	(0.2)
CapReg	GBP	N/A	N/A	N/A	N/A
GIAP	USD	73	0	N/A	0.0

The table is based on the expected dividends from the foreign denominated investments for FY21. As dividends from the investments have been reduced due to Covid-19, GWI is currently "over-hedged" with FECs. These FECs will either be rolled forward or closed out at maturity. The expected dividends are able to cover the expected interest payments in respect of debt taken out for the GOZ and GWI investments, but currently no dividend is declared by C&R due to the current level of uncertainty. A maiden dividend is expected from our investment in GIAP in FY21.

RSA PERFORMANCE

We made good progress on our operating processes and systems and increased our focus on our clients. We have become genuinely customer-obsessed and proactive in managing client relationships.

CEO: RSA OVERVIEW

Our industrial properties held up the best out of the three portfolios, and we kept close to our tenants in the sector to service our client base.

Estienne de Klerk
CEO: RSA

Our South African business is focused on investment, property funds management, development and property administration services. The business is predominantly dedicated to the asset management and operation of our retail, office and industrial property portfolios.

As a property owner that manages its own properties, Growthpoint South Africa is a substantial operation. It is an active business, providing services to clients and delivering bespoke property solutions. These include some development and trading activity, which is primarily for our own balance sheet but does also include some minor activity for third parties, as detailed in our strategic thrusts.

A difficult economy, weak property fundamentals and extremely competitive conditions defined our operating environment for most of the year. Letting was impacted by weak market demand due to low business confidence and more corporate failures. In a generally difficult environment, vacancies and arrears crept higher. Despite this, we were tracking our expected performance in all three South African property sectors and, before the Covid-19 pandemic, were optimistic that we would deliver on our stated prospects for FY20.

We made good progress on our operating processes and systems and increased our focus on our clients. We have become genuinely customer-obsessed and proactive in managing client relationships. Business failures, downsizing and consolidation are among the factors putting tenant retention under pressure. However, even in these market conditions, we want to make sure that our clients have a positive experience of our buildings and our service. Not only do we work hard to provide our clients with quality space and back this up by being a valuable business partner, but in this tough environment if a client is facing the prospect of business failure, we also strive to respond swiftly to avoid inefficient and expensive legal processes, especially in our industrial and office portfolios.

We take a slightly different approach in our retail portfolio, where we prioritise flexibility without vacancy creep. This sector faced particularly thorny dynamics in FY20, as seen in Massmart closing down its Dion stores and Edcon's continued struggles. We reduced our exposure to Edcon brands, but our remaining 88 680m^2 is predominantly in Edgars stores, rather than the smaller format Jet stores. The Foschini Group's proposed purchase of all the Jet stores and Retailability's purchase of the top-performing Edgars stores will be good news for Growthpoint. Six Edcon stores in our portfolio will still close and beyond the potential impact on our immediate portfolio, store closures generally are giving rise now to extensive surplus retail space across South Africa.

The surplus of offices in the market, and the decline in business overall due to persistent economic weakness is the greatest influence on our office portfolio. We are pleased, however, that we were able to conclude some excellent deals with first-class tenants which will fill key properties in the first half of FY21. These include Anglo American's lease at the sizeable 144 Oxford, the Altron and DRA Global leases in Woodmead, Johannesburg, and the Department of Public Works lease in the 1 North Wharf Square building on the Cape Town foreshore.

Our industrial properties held up the best out of the three portfolios and we kept close to our tenants in the sector to service our client base and scout the market for good deals.

We made progress in streamlining and optimising our South African portfolio by disposing of 13 non-core assets for a total of R582m. We would like to have disposed of more but market forces worked against this, with poor liquidity in capital markets. We continue to manage and maintain those 68 further assets that we have identified for sale.

We invested R277.2m in five small properties that are strategic to Growthpoint's existing portfolio, with future development potential.

Overall, there has been a marked reduction in our trading and development activity and our focus has shifted even further towards improving our existing products in the Growthpoint portfolio and away from new development for our balance sheet and third parties. The final projects in our pipeline of new developments were either completed or substantially completed during the year.

Our development team completed R445bn of projects in FY20, focusing on demand-driven developments for Growthpoint, which are detailed within each sector's report. In our office portfolio, we are particularly pleased

CEO: RSA OVERVIEW continued

with the strong demand for our 144 Oxford development in Rosebank, which was fully let to quality tenants at feasible rents just before the Covid-19 lockdown. We are also proud that our development for Exxaro in Centurion was awarded Africa's first WELL certification for advancing health and wellbeing in the building.

The team also completed speculative industrial developments for our portfolio, which did introduce a small amount of additional vacancies. Unfortunately, letting was slower than initially expected, partially due to the pandemic. However, these are excellent properties and we are confident they will be fully let in due course.

In our retail portfolio, we continued to improve and upgrade our assets countrywide in order to match changing retailer needs and shopper demands. A highlight was redeveloping critical space that has been vacant for six years at Lakeside Mall, Benoni, to introduce Pick n Pay and Dis-Chem to its retail mix. Despite the disruption of Covid-19, both tenants opened in July 2020, and this project is expected to be fundamental to the mall's performance going forward.

In all areas of our portfolio, we remain focused on maintaining and upgrading our assets to provide a top-quality product. Even in a tight market, we continue to invest in our business to ensure our properties are modern, relevant and competitive. We do this to attract new tenants and to provide a good experience for the clients already in our buildings.

Our developments for third parties included two significant transactions, both of which would have delivered considerable profit if it were not for the business disruption of the Covid-19 lockdown. Our sale of the former Exxaro head office was delayed as a result of the Deeds Office closure and transfer only took place post our financial year end. The capital component of the development of Bakers Transport's Durban facility was also delayed. However, the building is producing income, with the client occupying the building and paying rent in the interim.

Our property funds' management business is now well established, with GHPH and GIAP being well invested and supported by strong local and international institutional capital providers. We now have R13.7bn of assets under management and with continued growth in this business, it will make a notable contribution to earnings in the future, while simultaneously making use of our existing skillsets and being equity-light.

Growthpoint's business is run by an excellent team of people who are very engaged and who always go above and beyond to offer clients superior service that will deliver sustainable returns for all stakeholders in the long term. This year, their efforts were extraordinary.

We have integrated processes which prioritise transformation on every level. We performed well in line with most components of our current Transformation Strategy, which comes to an end in December 2020. We are planning the next steps, which will continue to set the course for our transformation agenda, including new objectives and timeframes. This document will be published in due course. We will keep transformation opportunities in mind as we grow our business.

As an innovative business, we keep an eye out for new trends, ideas and applications which can benefit Growthpoint. These include growing our renewable solar energy footprint and applying new technologies that support the efficient functioning of our properties.

We switched over to our new operating system in July 2020, despite many of our staff working remotely. This process-based system should make significant improvements to our operational efficiency in the future. Even at this crucial point in a major project, our IT team was able to ensure that most of the management team and senior staff were working remotely within days of the Covid-19 lockdown being announced, which was impressive.

We actively integrate Corporate Social Responsibility (CSR) into our business and continuously improve our efforts and effectiveness by intentionally driving and supporting various life-changing programmes. We have not deviated from the strategies detailed later in this report.

We have gained a better appreciation of sustainability to the extent that it forms part of the ESG considerations for executive remuneration, and for FY21 this is also included as a KPI for senior management, with clear objectives set. The reporting requirements in the ESG space have escalated, with growing detailed requirements from the various platforms and stakeholders.

Growthpoint's ESG focus makes commercial sense and will stand us in good stead in the current competitive market and in the future. Our commitment to doing good business and our transparency make us a desirable partner for like-minded, quality businesses. Our renewable resource initiatives, including solar farms and water security projects, support our clients' efficient functioning as well as our own environmental commitment.

Growthpoint is considered a premier brand and our marketing team remained active in helping our property business with letting and development in the way they presented our products to the market. It plays an important role in our key focus areas of tenant retention and attraction.

Covid-19 response

Our Covid-19 response in South Africa was multifaceted, but was largely directed towards making a significant contribution to the national and industry response, as well as taking action to reinforce the sustainability of our business.

Our efforts in leading the property industry's response to Covid-19 were significant and required much time and hard work from Growthpoint senior staff. However, the gains for Growthpoint's business were substantial and we were pleased to contribute to the benefit of the entire industry, its clients and partners.

THE PROPERTY INDUSTRY (PI) GROUP

Growthpoint played an active role in the industry's response to Covid-19, which was actioned through the collective efforts of the PI Group and included distinct focus areas affecting our business and our sector peers.

To manage liquidity and financial risks, the PI Group sought permission from the competition authorities to liaise as a collective, which was granted. The objective in doing this was to mitigate against the systemic risk posed by knee-jerk reactions in the market, as well as uncertainty about the property sector's capitalisation. Banks were persuaded and willing, to approach the situation with a light touch in dealing with their clients on a company-by-company basis. Representing the capital markets (the traditional fair-weather friends of the REIT sector), Association for Savings and Investment South Africa (ASISA) committed to manning its corner and assisted the engagement with institutional bondholders.

The PI Group's focus on regulatory aspects was interlinked with tax consequences, with both being fundamental to the REIT sector. While some REITs have been able to manage and improve their liquidity, retention of capital is the only option left to many others. The JSE responded quickly but unfortunately National Treasury has been slow. Despite reaching out to Treasury in April, there was still no reply to our requests at the time of writing this report after year end. With our sector under pressure to grant relief to tenants' businesses and reduce rent collections, we also sought avenues of potential relief for our own businesses. We turned to government to grant assistance at municipal level, for example, but our pleas fell on deaf ears, with only Cape Town, Johannesburg and Stellenbosch offering some reprieve. The crisis highlighted the ongoing, inflated increases in municipal rates and how they are levied.

In response to the Covid-19 lockdown, the retail industry generally went into a rent strike, as was the trend globally. As an industry, we rallied together and set out guidelines for a three-month retail tenant relief and assistance programme. Besides enabling landlords to respond quickly and making negotiations easier, this action also unlocked a tremendous amount of goodwill with many retailers and helped to protect and even improve, good relationships. Through our collective efforts, our industry has played a pivotal and far-reaching role in supporting small businesses across South Africa. This has saved many jobs as well as tenancies. The cumulative impact supports the overall economy and eases some of the pain that our sector faces in future.

While focused on retail, our industry efforts supported work across all three sectors and we unlocked a process of getting through the initial shock of Covid-19 in a structurally sound manner. With businesses in distress and failing, we sought to avoid protracted and expensive legal actions that did not necessarily represent practical answers to the unusual challenges faced. We also worked with retailers to accelerate the opening of shopping centres, and a particular area of success was assisting to significantly expand the government's definition of essential goods and services.

The final workstream of the PI Group is engaging with the Department of Trade and Industry (dti) to put in place a code for the lockdown period to deal with cases where landlords and tenants cannot come to terms. We have set down codes and principles that are equitable and avoid unreasonable positions and this has been submitted.

The diversity in the property sector, and the impact it has on the lives of every South African, gave us an essential voice at the national discussion table. This response also ensured that the property industry came through the hard lockdown period intact and that it avoided protracted skirmishes with its client base, regulators and capital providers.

OUR BUSINESS AND COVID-19

Liquidity and balance sheet strength was our immediate priority in the face of the Covid-19 pandemic, with the emphasis on long-term sustainability. This affected how we used capital. We reviewed capital expenditure to prioritise projects until the market returns to equilibrium. Growthpoint tested the availability of liquidity and was pleased to find it.

To minimise the risk of spreading the virus within Growthpoint's operations, we imposed strict measures to protect our employees. Growthpoint's on-site operational teams rose to the challenge of a difficult situation and did a phenomenal job in re-opening properties in line with government regulations.

We invested extensively in safety and sanitation at our many properties, including the shopping centres across the country which supported essential retail, to safeguard the well-being of millions of South Africans.

With construction sites closed during the hard lockdown, our development team was required to reopen them safely, manage schedules with reduced work capacity and delayed municipal approvals, and reassess the use of any imported materials in the light of port closures.

While under immense operational pressure and in a very unnatural environment, our teams had to process a flood of tenant relief applications, which proved difficult. Despite adversity and driven by a real understanding of how our work was affecting lives, they persevered and succeeded. The response within the business mitigated serious disruption of our business operations.

In line with this, Growthpoint granted a total of R277.5m in discounts and R158.8m in deferrals from April to the end of June 2020. We assisted 420 small businesses that are tenants in our properties countrywide.

All Growthpoint suppliers were also paid in full during lockdown, regardless of the capacity of their service, to ensure that they could pay their staff. We further met all our obligations to capital providers and municipalities in this period.

Extending our humanitarian efforts, we continued to support our CSR partners, who are mostly focused on education in previously disadvantaged communities countrywide, to ensure that these charities and initiatives could rise to the new challenges they faced.

Future focus

Liquidity is our primary focus and will continue to be going forward, together with the ongoing emphasis on letting and tenant retention, and using the full force of excellent client service to support our efforts and our clients.

It is too early to know exactly how the shift in behaviour due to the pandemic will affect our properties, specifically our retail and office assets. However, because we manage our own properties, we have hands-on management on the ground who can quickly recognise and report changes, and this gives us the advantage of being able to act nimbly and adapt quickly. Bringing down our clients' operational costs with efficiency is an ongoing focus area. Crisis brings opportunity and better relationships have been a significant benefit coming from the pandemic. It has brought us closer to our clients.

At our retail centres, it is going to take some time for all the shops to re-open and trade fully. There is a big drive to help people feel safe enough to come back, and we are working with retailers to achieve this.

The future of offices has become a key topic of debate. We disagree with those who believe they will become irrelevant. There is still demand and there are still deals to be done even in this market. We are receiving requests based on innovative thinking to accommodate social distancing requirements and flexibility, and we are challenging ourselves to find new and creative approaches to meet client needs.

Despite the industrial sector being the darling of the property industry because it escaped some of the immediate negative effects of Covid-19, we expect to see more effects ripple through in FY21. Manufacturing and logistics supply chains are deeply affected by other sectors, specifically retail.

The biggest threats to our business are the very strained economic environment and the soaring rates and taxes charged by municipalities for poor service delivery. We will have to manage our business around economic pressures. Rates and taxes, on the other hand, is an area where the industry will be engaging the government.

Local government has been given unfettered licence to abuse its power and is taking advantage of this. The charges levied by municipalities are high and increasing at an alarming rate. Yet, even charging inflated costs, municipalities are increasingly ineffective and in many cases are failing entirely. This gives us no choice but to step in and provide certain municipal services ourselves, in order to keep our tenants' businesses operating. Runaway municipal costs without delivery have to stop. It is imperative for our tenants to reduce these costs to sustain their businesses through exceedingly difficult times, just as it is essential for our own business. We will support this by optimising efficiencies at our properties to reduce tenants' costs, ensuring that tenants are billed accurately and at the correct tariffs for municipal costs, and by putting our weight behind the property industry's efforts to combat exploitative rates and taxes charges and increases. An industry-wide initiative aimed at correcting the misuse of municipal power and funds has commenced via the SAPOA and in collaboration with the SA REIT Association.

Corporate marketing and communication

Established as a leading brand in the property industry, Growthpoint Properties' positioning allows us to attract and retain clients while being a valuable platform for solid relationships with our stakeholders.

Our corporate marketing and communications team, which includes events, design, content, brand and project management, as well as digital marketing, is responsible for establishing and increasing positive engagement with the Growthpoint brand on behalf of all our stakeholders.

As the landscape changed significantly over the final quarter of FY20, we had to be agile in adapting to the shift in the business's overall strategy.

Growthpoint continued to work hard at media relations and management throughout the year. We ensured a steady stream of information and content was made available to the public via our social media channels and press releases.

Most of our events during the year were for the broker community, with brokers being an extremely important channel for our business. We held another in our series of successful Operation Destination trips for those who qualified, this time to New York. The social distancing requirements to stem the Covid-19 pandemic had a significant impact on the number of events we were able to hold during the last quarter. Events and networking opportunities contribute significantly to building our brand and are also vital opportunities to connect with our stakeholders, communities, clients and target markets. Despite these traditional touchpoints disappearing, we were able to adapt by finding new ways to continue to connect with both staff and brokers.

We took the opportunity to survey brokers about our leasing resources and engagement. The survey received an enthusiastic response and has provided valuable, qualitative insights, which will inform our broker communication in the year ahead and reinforce our good relationships.

We garnered a great deal of press coverage for two fantastic achievements – receiving Africa's first WELL certification for our Exxaro development and Green Star rating for the Cintocare Pretoria Head and Neck Hospital, which is the first for a healthcare facility in the country. Our interim and full-year results media briefings also got extensive coverage over and above ensuring regular, direct engagement between our leadership and these important media stakeholders.

Digital communication remains an essential pillar of our overall strategy. Our social media following continues to increase, with a steady rise in engagements and positive interactions. In preparation for the revamp of our corporate website, which will be a major project in FY21, we reviewed our existing site and sought feedback from internal and external stakeholders to better understand their experience of this pivotal communications platform.

During the pandemic, and specifically the hard lockdown, the marketing department played a critical role in communication with staff, clients and other stakeholders. Our primary goal was to ensure that all relevant parties stayed informed with the most accurate information available. With a large component of Growthpoint employees working remotely, it was critical to keep them feeling connected and keep the Growthpoint spirit alive. We empathised with and tried hard to be sensitive to the needs of our staff and stakeholders, and respond accordingly.

Our values guided us in our internal communication to keep people connected, motivated and aligned with the Growthpoint culture. Within this, we had to be fluid and use new tools – and existing tools in new ways – to foster connection across the business's divisions and regions.

Marketing was a key contributor to the work of Growthpoint's Covid-19 task team. The demand for information and communication from our internal and external stakeholders was extraordinary. All company and divisional dispatches were channelled through the marketing team to ensure consistency of messaging and tone. With the way people worked changing, how they consumed information and connected also shifted. We had to adapt our communication formats and channels to reach the intended audiences. Through exploring the ways people have embraced technology, and how the world has digitised, we identified new avenues and opportunities for the Growthpoint brand and see scope for more growth, change and innovation in our communication.

Our senior staff are recognised spokespeople for the property industry and we supported their leadership in the industry-wide response to the impact of Covid-19. It was a privilege to step up and join the collective efforts of the sector by providing the industry with additional distribution channels for their vitally important announcements. We are proud to have played a role in supporting the cutting-edge conversations and communications of the PI Group.

Fortunately, Growthpoint has built a reputation for communicating transparently, clearly and honestly and our stakeholders welcomed the continuation and intensification of this throughout the crisis.

CEO: RSA OVERVIEW continued

2020 Transformation progress

OBJECTIVES	TARGET SET	TIMELINE AT 2017	FY20	FY19	FY18
OWNERSHIP					
B-BBEE ownership	◆ Broad-based black economic empowerment (B-BBEE) deal with 10% of Growthpoint shares	June 2018	No B-BBEE deals have been concluded at this stage. We have a slight decline in ownership with 29.02% voting rights in the hands of black people and 17.53% economic interests of black people in Growthpoint	No B-BBEE deals have been concluded at this stage. We have, however, achieved 33.84% voting rights in the hands of black people and 21.06% economic interests of black people in Growthpoint	Growthpoint is exploring opportunities to set up a broad-based structure which can include a staff scheme, current corporate social investment (CSI) initiatives and strategic partners
Structure net equity value	◆ Realise a minimum of 40% of the annual targets	June 2020	19.36%	20.59%	18.41%
Disposal of assets to black-owned entities	◆ 35% disposal to: – 50% black-owned entities over a five-year period – A minimum of 20% of the 35% must be achieved in each year	June 2018	Not achieved during the period. There has been no disposal to >50% black-owned entities	Not achieved during the period. There has been no disposal to >50% black-owned entities	11% disposals to >50% black-owned entities

OBJECTIVES	TARGET SET	TIMELINE AT 2017	FY20	FY19	FY18
MANAGEMENT CONTROL					
Diversify the Growthpoint Properties Board	◆ 40% black Board members ◆ At least 25% black female appointees	June 2019	Achieved 42.86% black Board members 14.28% black female Board members	45% black Board members 21% black female Board members	43% black Board members 21% black female Board appointees
Diversify Executive Directors	◆ 25% black Executive Directors	June 2019	25% black Executive Directors	25% black Executive Directors	25% black Executive Directors
Diversify executive management	◆ 27% black executive management with at least 50% being black female	June 2019	Achieved 25% black executive management, 10% black female executives	25% black executive managers, 10% black female executives	20% black executive management 10% being black female executive management

OBJECTIVES	TARGET SET	TIMELINE AT 2017	FY20	FY19	FY18
EMPLOYMENT EQUITY					
Diversify senior management	◆ Increase black senior management from 15% to 28%	June 2020	35%	34%	32%
Diversify middle management	◆ Increase black middle management from 32% to 45%	June 2020	67%	67%	67%
Diversify junior management	◆ Increase black junior management from 69% to 77%	June 2020	91%	90%	86%

OBJECTIVES	TARGET SET	TIMELINE AT 2017	FY20	FY19	FY18
SKILLS DEVELOPMENT					
Alignment of skills programmes with business needs	◆ 80% of training offerings within category B, C, D of the skills matrix	June 2018	Achieved 47% of training on B, C, D category	Achieved	A training committee has been established to align our skills development programmes to our business needs
Training plan aligned to succession plan	◆ 5% of leviable amount spent on black people (targets based on employee assistance programme (EAP) stats) ◆ 40% minimum to be achieved	June 2018	Achieved 3.08%	Achieved	Achieved
Implement a disability learnership programme	◆ 0.3% of leviable amount is spent on disabled people ◆ A minimum of 40% must be achieved	June 2018	Achieved 0.51%	Achieved	Disability learnership implemented with Sparrow FET College

OBJECTIVES	TARGET SET	TIMELINE AT 2017	FY20	FY19	FY18
PREFERENTIAL PROCUREMENT					
Segmentation of procurement spend	◆ 40% procurement spent with companies who are at least 51% black-owned ◆ 100% of all suppliers must be B-BBEE rated with 80% of suppliers on a minimum of a level 4 ◆ 12% procurement spend on companies who are at least 30% black women-owned	Ongoing Ongoing Ongoing	37.82% 66.75% with 45.38% of suppliers on a minimum of level 4 B-BBEE rating 11.93	22.61% 48.47% 10.34%	25% 96% 9.7%
Continued support and funding of Property Point	◆ 1% net profit after tax (NPAT) towards enterprise development ◆ 2% NPAT towards supplier development	Ongoing Ongoing	1.89% 3.79%	5.62% 11.5%	1.8% 3.3%

OBJECTIVES	TARGET SET	TIMELINE AT 2017	FY20	FY19	FY18
SOCIO-ECONOMIC DEVELOPMENT					
Annual value of all SED contributions of Growthpoint	◆ 1% NPAT towards beneficiaries that are black	Ongoing	4.69%	9.63%	3.3%

RSA EXECUTIVE MANAGEMENT FORUM

ESTIENNE DE KLERK (51)
CEO: RSA

OLIVE CHAUKE (49)
HR DIRECTOR

ENGELBERT BINEDELL (50)
COO: RSA

PAUL KOLLENBERG (59)
HEAD OF ASSET MANAGEMENT: OFFICE

NADINE BRIERS (49)
MARKETING

RUDOLF PIENAAR (60)
CHIEF DEVELOPMENT AND INVESTMENT OFFICER

FRANCOIS SCHINDEHÜTTE (55)
CFO: RSA

NEIL SCHLOSS (49)
HEAD OF ASSET MANAGEMENT: RETAIL

LINDA SIGABA (43)
HEALTHCARE FUND MANAGER

DAVID STOLL (60)
REGIONAL HEAD: CAPE

ERROL TAYLOR (58)
HEAD OF ASSET MANAGEMENT: INDUSTRIAL

SHAWN THEUNISSEN (41)
CORPORATE SOCIAL RESPONSIBILITY

GREG WORST (46)
REGIONAL HEAD: KZN

OPERATIONS

Last year, when we commented about how tough our operating environment was, we had no idea how much more difficult it was going to get this year. This has been a very challenging time indeed in both our macro and micro environments.

Business confidence and our KPIs deteriorated throughout the year, with vacancies growing, arrears increasing, lease renewals declining and rentals coming under even more pressure. Even so, with a focus on alternative sources of income, we were on track to meet our market guidance and achieve our stated objectives before the coronavirus pandemic hit South Africa in March 2020.

Proactively, Growthpoint established an internal Covid-19 task team to guide our operational response to the pandemic before the hard lockdown at the end of March. We were thus well prepared for what happened and could respond across all our property sectors. Our plan included enabling employees to work remotely and ensuring our business operations were uninterrupted. At our properties, we adopted new standard operating procedures over and above those required by the national disaster management regulations and to a large extent, these became a benchmark for the industry.

Our response to the lockdown centred on our clients and working with them through this difficult time with understanding and empathy. Communication was pivotal during this period and we intensified our usual proactive contact with clients. We tried to advise and update on progress often, in a concise, plain and transparent fashion, to provide valuable information and reassurance. To enable an agile response, we categorised our tenants into groups based on the severity of the impact on their industries, so we could develop an appropriate strategy for each group. Our operating metrics deteriorated during the hard lockdown in April and May. However, there were early signs of a shift to increasing rental collection rates in June when the economy began to re-open.

We always have to manage tenant relief in the context of our own sustainability. Assisting our clients' businesses during the lockdown helped us to retain tenants but of course also put pressure on our cash flow. This was also affected by our decision to maintain our supply chain by supporting our suppliers financially and keeping their businesses operational.

Growthpoint has about 6 500 unique clients in its South African portfolio and communicating with them this year has been a complex and challenging task. Property management systems and programmes have never before had to deal with the sort of requirements triggered by the lockdown. Managing individual client relationships, agreeing to terms, passing on relief and adjusting rental statements became immediate requirements which could have resulted in chaos but, thanks to creative modelling, we were able to manage this massive process. Staying on top of this took up most of our time for the first six weeks of lockdown. It required an enormous amount of work and our team can really take pride in what they achieved.

Our culture has helped us navigate the Covid-19 crisis and every one of our values has come into play. Our people have been amazing throughout. They have calmly accepted additional workloads and done whatever has been needed to meet the initial and ongoing challenges in their respective areas. They have thought strategically and been proactive in offering solutions to help us be better under pressure. They have also checked in with each other and taken responsibility for each other. Their response has been moving and humbling.

Growthpoint has often been called a "family disguised as a company" and this has never been more true than during the past year. Our people are the heart of our business and it is a priority to ensure that they are well, energised and inspired. We have thus encouraged and supported them to take especially good care of themselves. We have also endeavoured to keep them motivated while we all adjusted to working remotely. Some people had to work flat out to handle an increased workload, while others were unable to work from home because of the nature of their work and were experiencing self-doubt and feeling worthless. Neither of these situations was easy and maintaining a healthy mindset has been crucial. Our executives connected regularly with the team to lift spirits and create touchpoints of inspiration and purpose.

Our small, but highly effective internal legal team mainly focuses on rental contracts and has done a sterling job this year of standardising leases for national retailers and green leases for the office and industrial sectors. With the advent of the lockdown, this team also shifted into an advisory role in response to needs in the challenging lockdown environment, with new legislation coming out daily that we needed to be on top of in order to equip staff and operate legally.

Our property management focus is on our clients. We aim to be good business partners and easy to do business with, so we have concentrated on streamlining our operations and leveraging our skills and size. This year, we continued to find ways to consolidate our efforts and improve our service. We were also working on reducing complexity in our supply chain to achieve savings while still working with SMMEs.

With the advent of Covid-19, however, we had to shift gears and prioritise the basics: managing clients and collecting rent. This abrupt change was both challenging and interesting. It also proved that our processes are both effective and durable, even under extreme pressure. Even at this difficult economic time, in the face of the coronavirus crisis and while adopting a new IT system, they enabled us to meet the challenges.

We were due to go live with our new MRI IT system on 1 April, but shifted this to 1 July 2020, the beginning of our new financial year. We were then also able to convert our planned staff training into an interactive e-training programme. Our IT department became the backbone of our employees' ability to work remotely during the lockdown. Cybersecurity is now an even more significant focus and gearing up for it is a major workstream. Our IT policy and procedures have been adapted to reflect our intensified emphasis on cybersecurity and governance.

We have always valued doing the basics well, which emerged as a strength in light of the pressure on our clients this year. Our clients want good, clean, safe premises, with a supportive landlord behind them, and this is what we offer. We do not doubt that the actions we are taking now will forge better relationships which will define our future.

Our closest relationships are with clients, brokers and service providers. We welcome feedback from these stakeholders and have used it to improve, including reorganising how we deploy our facilities and building managers. Our client expectations are almost exclusively financial now and we are doing what we can to accommodate their needs, support their businesses and retain their tenancies. Brokers couldn't work during the lockdown. However, we stayed in regular contact with these entrepreneurial stakeholders to encourage them and reinforce our commitment to the broking community, which is essential to our business.

We have run various scenarios to get a better understanding of what our business operations could look like in future. At the time of writing this report, however, there were still many unknowns. We are improving our understanding of psycho-social behaviour and what people need to thrive.

We know the majority of our employees and our tenants' staff thrive on social interaction and collaboration and report that they are missing the ability to separate their home and work lives. While some would like to retain an element of remote-working flexibility, 90% of those we have polled have indicated a desire to return to the office and work as they have in the past. It is reassuring that, while it will take time for everyone to return to their offices, workspace is seen as a valuable tool for thriving businesses.

Health and safety have always received a vast amount of attention in our business. Compliance with the Occupational Health and Safety Act (OHSA) is onerous, but by applying our experience and common sense, we often do more than is required by the letter of the law. The lack of water security has an impact on our fire-protection measures and managing this is increasing costs. We can confidently say that health, safety and hygiene will be an even greater focus at our properties and in our business in the year ahead.

Environmental approach

Environmental sustainability is an important part of our operations, and our key achievements in the year include earning the first WELL building rating in Africa and the first green certification for an industrial building in Gauteng.

Last year we introduced our 20:20:20:1 strategy and we were confident of our ability to at least make significant progress in achieving the target of 20 net-zero buildings, R20m worth of green lease recoveries, 20MW of solar energy and the commercial implementation of at least one Greenovate Award Innovation. We have increased the application of the Greenovate innovation from one project to two. The goals remain largely the same, although we have to reassess some specific projects in the light of the changed business environment resulting from RSA's ailing economy and the business interruptions caused by the Covid-19 lockdown. We are also working on setting realistic timelines to achieve all our goals.

20 20 net-zero buildings	20 R20m worth of green lease recoveries	20 20MW of solar energy	2 One commercially implemented Greenovate award innovation
Our green building certification was ongoing and we gained a greater understanding of what this certification entails. We had three net-zero certified buildings at the end of the reporting period	Collections from the Green Addendum have contributed a R26.8m combined saving for Growthpoint and our tenants this year	We were on track to achieve this goal. However, all capital expenditure was placed on hold in the second half of FY20 including solar installations	One solution from a previous year's Greenovate Awards was successfully implemented at the new Exxaro head office, which was completed this year
Growthpoint remains committed to enhancing our management of this objective in the coming year. Carbon-zero buildings have become our big drive, but we underestimated the complexity of our ambitious target, especially when balancing it with commercially viable costs	We are reviewing ways to refresh this aspect of the business	8.3MWh of solar potential has been approved and will be installed as soon as the lockdown restrictions are lifted. If we get back to business as usual soon, we are optimistic that our overall target will be achieved in the coming year	Our goal has increased to two projects in FY21 and while this number is still small, the target is ambitious in the context of a very limited number of development projects. Integrating these innovations is however expected to be more achievable in future because a new category for buildability is being introduced to the Greenovate Awards in 2020

We have come to appreciate that it may be time to review our strategy relating to specific environmental sustainability elements such as carbon. Our processes and approach are effective, but must be reassessed for relevance in our changing operational context so that we can continue to communicate clear and specific objectives to our stakeholders.

We introduced a specialised environmental analytics dashboard, which has improved the accuracy of our sustainability data and is fostering a better understanding of our resource efficiency and how this supports our financial performance. It is important to note that with the application of the dashboard, we have seen more accurate data collection as well as data on indicators previously not recorded. This, together with the methodology change applied in FY19, we have not seen as much of an overall decline in carbon emissions as we had hoped. We are undertaking a review of our risks and opportunities for our environmental and social issues in early FY21. This will be fundamental to informing our revised approach.

While the management of natural resources is important to us, our investors and funders, it is also crucial for our clients because energy and water efficiencies result in savings which can be passed on to them. Due to the financial pressure created by the lockdown, many companies are desperate for an indirect cash injection and our sustainability initiatives could help them. Our progress might be slowed, however, because capital expenditure is required to further our sustainability projects. We will also continue to drive our focus on utility costs, which have become a massive issue for Growthpoint and our clients alike because of municipal inefficiencies.

GHG Emissions for 1 July 2019 – 30 June 2020

Source	FY20 total metric tCO_2e	FY19 total metric tCO_2e
Scope 1	**3 869**	767
Mobile Fuels (Company Cars)	**19**	34
Stationary Fuels (Generators)	**869**	412
Product Use: Refrigerant gas (Kyoto Protocol)	**2 981**	321
Scope 2	**42 708**	37 059
Purchased Electricity (location based)	**42 708**	37 059
Scope 1 and 2 total	**46 577**	37 826
Scope 3	**653 579**	734 052
Category 1 – Purchased Goods and Services: Water	**3 079**	3 436
Category 1 – Purchased Goods and Services: Paper	**43**	46
Category 4 – Upstream Transportation and Distribution: Courier	**10**	6
Category 5 – Waste Generated in Operations	**7 987**	10 769
Category 6 – Business Travel	**742**	1 443
Category 7 – Employee Commuting	**1 033**	1 333
Category 13 – Downstream Leased Assets: Purchased Electricity	**640 685**	717 019
Total Scope 1, 2 and 3	**700 156**	771 878
Out of scope – non-Kyoto refrigerants (R-22)	**1 869**	1 358

Procurement

Our Procurement division provides value to the business by collaborating with our stakeholders, both internal and external. Our focus is to ensure governance relating to procurement is adhered to through the application of our procurement policy and extensive stakeholder engagement. We look to provide the best value, while reducing risk. Growthpoint also engages directly with manufacturers of supplies to get the benefit that comes with our countrywide spending power. We have contracts in place with clear deliverables stipulated in service level agreements (SLAs) with all vendors. We ensure that our standards and expectations are kept through continuous engagement with our stakeholders.

Our focuses remain on cost efficiencies, request for proposals (RFPs) projects, supplier negotiation and measuring supplier development. Our procurement team is responsible for operational spend, which is critical and therefore the department needs to be involved from the onset of stakeholder projects.

We replaced manual order books with an electronic order system which elevates system controls and risk mitigation. We are proud of having performed well in negotiating appropriate cost increases on our contracts.

To minimise costs, and streamline the products we use at our buildings, we successfully implemented our hygiene contract on a national basis with three major suppliers. Efforts to have green cleaning products used throughout our business are ongoing. Our waste contract for the new financial year is based on detailed input from the sustainability department to align the contract with Growthpoint's waste reduction objectives. We successfully signed electrical maintenance SLAs.

We improved our positive impact on B-BBEE this year and are particularly proud of the strides made by our division in this regard. We contributed by employing a specialist to work closely with our various divisions to boost understanding and the processes relating to B-BBEE. A deep dive into our supplier list helped clean-up efforts to enhance our scorecard with extensive supplier engagement to encourage their active contribution to B-BBEE. We applied ourselves to working with suppliers to ensure they met Growthpoint's vendor requirements. We addressed the critical issue of fronting and communicated extensively, internally and externally, that the consequence for any supplier found guilty of fronting would be contract termination.

The division played an integral role in the Property and Financial Management (MRI) system, particularly accounts payable, and extensive work ensured that the Electronic order and approval (Fraxion) system was integrated with the new MRI system.

Growthpoint's agile and proactive management of Covid-19, ensuring that staff and our facilities had the necessary equipment and products for uninterrupted operation over the various levels of the lockdown, was nothing short of admirable and our division excelled in meeting the challenges. The high quantities of goods ordered provided some leverage to negotiate prices on resources that were, at times, difficult to source.

Despite the challenges brought on by the pandemic, Growthpoint honoured all fixed contracts, irrespective of work undertaken. We changed our payment system from fortnightly to monthly, which had an impact on cash flows for both Growthpoint and our suppliers. With staff working remotely, the Fraxion system added to efficiencies, and its value was apparent.

The market days, initiated last year, were put on hold as a result of the pandemic. The initiative is a platform for manufacturers, businesses and suppliers to showcase their products and services to each other and Growthpoint. This is an area we would like to revitalise when it is safe to do so. In the interim, we have increased our engagement with our vendors via electronic and telephone contact. Personalised engagement, rather than blanket communication, was appreciated by our vendors and led to stronger relationships with our suppliers, and improved communication beyond contract negotiations, fostering a greater collective purpose.

Going forward, we remain focused on regulatory compliance and working on the MRI system. Cost management is imperative, with only a few large service contracts expected to open up to RFPs. We remain cognisant of the impact of Covid-19 on our supply chain and will keep up our collaboration on issues arising in this regard.

Information Technology (IT)

Our IT service supports the South African sectors of the business across all geographic regions by providing information technology services and support.

Our IT governance was reinforced during the year with monthly IT User Forum and quarterly IT Steering Committee meetings. In addition, other forums created specifically to manage and monitor the roll-out of our new core business systems met at regular intervals. The Programme Management Committee was formed to report into the IT User Forum monthly about any operational issues stemming from the new core business systems and the Programme Board established to report into the IT Steering Committee quarterly on specific project risks during the roll-out of the new systems .

We developed and implemented further IT policies within the governance and management of the IT (COBIT) good practice framework.

We continued to enhance the new property management procure-to-pay solution, Fraxion Spend Management, resulting in improved management and authorisation of expenditure and cost control.

We used Microsoft Office 365 and Microsoft Enterprise Mobility Suite to give Growthpoint staff the flexibility to work remotely from any location with the appropriate security during the Covid-19 pandemic

We continued with cybersecurity awareness training programme that enables staff to become more familiar with cybercrime and what they can do to protect both Growthpoint and themselves from it.

Legal

Our legal team supports the South African sectors of the business across all geographic regions, as well as the service divisions, by providing legal services and support.

Due to the Covid-19 lockdown, we advised the business on the legal position relating to *force majeure* concerning our leases and other agreements, including development agreements. We took an active role in negotiations with tenants to ensure consistency in the treatment of tenants' claims for relief from rent because of the impact of the lockdown on businesses across sectors and regions. We participated in the Competition Commission's discussion regarding the Grocery Retail Market Enquiry, which was finalised in November 2019. Further, together with SAPOA and SA REIT, we contributed to an agreed code of conduct which the Competition Commission is insisting must be concluded by retail landlords.

This year's transition to the electronic signature of lease documents – and any other relevant agreements – is our first step towards the implementation of an electronic document management system. It enabled us to continue to legally conclude binding leases and other contracts during all levels of the lockdown.

Amendments to the Deeds Registries Act, as regards obtaining certified copies of lost title deeds, led to us undertaking a complete audit of our safekeeping registry. We have ensured that we have all original title deeds in our possession, save for those bonded to various financial institutions, by obtaining three replacement deeds, which has avoided a long and expensive process.

Growthpoint adhere to all legislation and has not received any fines relating to any infringement of legislation.

Facilities Management

Our Facilities Management division is responsible for fostering a culture of collaboration which enhances the performance of our assets. It does this by delivering maintenance solutions, value-added client experiences and quality facilities for the whole lifecycle of each asset, guided by best practice and legislation. By tracking and managing the capital and operational budgets, the facilities management team continued to keep the physical assets safe and functional within the prescribed budgets. It also focused on driving down costs without compromising service levels.

Growthpoint compiled a standard operations procedure (SOP) in response to the coronavirus pandemic, which spells out the required protocols for staff members, tenants, contractors and all visitors to Growthpoint sites.

New technology continues to change the built environment. Many positive strides were made by our team over the past year, aligned with the company's goals. They drive a professional client and customer service culture throughout the business and extract maximum value from our assets through optimum pricing models. This is achieved by ensuring the appropriate technical organisations and professionals are appointed to improve customer service and asset performance.

Growthpoint undertook and completed a successful project to future-proof our buildings against any further water shortages in South Africa by installing additional storage tanks, introducing water-saving initiatives and providing buildings with treated water to potable standards for non-potable use and sanitary flushing purposes. To secure water stability, Growthpoint has undertaken a water user licence application (WULA) process to register and license all boreholes in the portfolio.

Due to disruptions in electrical supply, specifically load shedding, Growthpoint has established an integrated process to support and ensure the continuity of power to our clients by securing bulk diesel storage facilities and the introduction of a dedicated diesel replenishment team.

Good progress was made by our contract administration team and all reports are now managed electronically. We introduced an electronic KPI management module for effective and consistent supply chain management across the portfolio to improve overall service delivery. Our lift intercom systems and smart metering systems are now remotely monitored through the national call centre to improve overall operational effectiveness for our clients.

We undertook multiple roofing replacement projects, many in support of PV panel installations. For the inland portfolio, a dedicated diesel replenishment team was established to support its large number of generators and a dedicated team carried out infra-red electrical compliance inspections and reports. There was a continuous drive to ensure Automatic Sprinkler Insurance Bureau (ASIB) compliance throughout the Growthpoint portfolio.

Articulating our strong emphasis on safety and compliance, we initiated several measures to improve our Risk Information Management System (RIMS) and raised awareness about safety among Growthpoint employees and service providers.

Growthpoint's health and safety activities are based on identified risks, as well as legal requirements, which cover risks linked to the physical work environment. These issues are handled by the Health and Safety Committee, as well as our team, and are addressed on an ongoing basis. Besides the minimum requirements, Growthpoint has a clear vision to achieve a zero rate of workplace-related accidents.

ASSET MANAGEMENT

Overview of RSA property portfolio

	Retail		Office		Industrial	
	2020	2019	**2020**	2019	**2020**	2019
Asset value (Rm)	**26 759**	29 845	**29 793**	31 696	**13 307**	13 682
Number of properties	**47**	49	**168**	172	**215**	219
Gross lettable area (GLA) (m^2)	**1 365 391**	1 381 997	**1 672 090**	1 675 560	**2 308 913**	2 262 328
GLA as a % of RSA portfolio	**24.9**	25.5	**30.4**	30.9	**42.0**	41.7
Value per m^2 (excluding bulk) (R)	**19 479**	21 523	**17 201**	17 661	**5 475**	5 676
Capital expenditure (Rm)	**393.6**	509	**706.7**	1 250	**380.2**	608
Gross property revenue (Rm)	**3 108**	3 341	**3 342**	3 510	**1 515**	1 461
Property expenses (Rm)	**(994)**	(905)	**(965)**	(949)	**(401)**	(327)
Property expense ratio (%)	**32.0**	27.1	**28.9**	27	**26.5**	22.4
Net property income (Rm)	**2 114**	2 436	**2 377**	2 561	**1 114**	1 134
Net property income as a % of RSA portfolio	**36.1**	38	**40.6**	39.9	**19.0**	17.7
Vacancies (%)	**5.1**	3.9	**15.4**	10.4	**7.1**	6.2
Arrears (Rm)	**207.6**	30.8	**161.2**	18.3	**116.3**	28.6
Bad debt provisions (Rm)	**96**	8.7	**88**	9.9	**64**	18.2
Average gross rental (per m^2/month) (R)	**204**	197	**163**	159	**58**	55
Average annualised yield (%)	**8.5**	8.3	**8.4**	8.5	**9.4**	9.1
Average in-force escalations (%)	**6.8**	6.9	**7.7**	8.1	**8.1**	8.2
Weighted average renewal lease period (years)	**4.0**	4.8	**3.8**	3.7	**3.5**	3.3
Weighted average lease period (years)	**3.0**	3.1	**3.7**	3.8	**3.5**	3.5
Renewal success rate (%)	**78.8**	82.7	**51.5**	63.5	**69.4**	68
Weighted average renewal growth (%)	**(6.2)**	(5.3)	**(8.9)**	(8.6)	**(4.7)**	0.3
Weighted average future escalations on renewals (%)	**6.3**	6.5	**7.6**	8.1	**7.5**	8.1
Number of employees						

	Healthcare		Trading and development		Total		V&A	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	2 645	2 626	**900**	455	**73 404**	78 304	**9 447**	9 567
	5	5	**5**	5	**440**	450	**1**	1
	77 219	72 121	**70 200**	32 724	**5 493 733**	5 424 730	**227 415**	225 490
	1.4	1.3	**1.3**	0.6	**100**	100		
	33 512	35 917	**12 821**	–	**12 871**	13 866	**39 568**	40 512
	56.2	17	**444.7**	336	**1 981.4**	2 720	**251.7**	191
	263	240	**41**	75	**8 269**	8 627	**920**	920
	(41)	(30)	**(11)**	–	**(2 412)**	(2 211)	**(326)**	(263)
	15.6	13	**26.8**	–	**29.2**	25.6	**35.4**	29
	222	210	**30**	75	**5 857**	6 416	**594**	657
	3.8	3.3	**0.5**	1.1	**100**	100		
	0	0.0	**46.8**	–	**9.5**	6.8	**1.5**	1.2
	25.1	–	**0.8**	–	**511.0**	77.7	**120.5**	37.4
	6	–	**–**	–	**254**	18.9	**67.4**	0.2
	296	273	**–**	–	**130**	127	**190**	260
	9.6	8.7	**–**	–	**8.6**	8.5	**8.5**	7.5
	7.9	7.9	**–**	–	**7.5**	7.7	**7.5**	7.5
	5.0	3.9	**–**	–	**3.7**	3.8	**5.0**	6.3
	7.3	8.2	**–**	–	**3.5**	3.6	**5.8**	5.4
	100	100	**–**	–	**66.4**	70.1	**85.3**	79.4
	5.3	7.7	**–**	–	**(6.7)**	(5.3)	**7.6**	4
	8.0	8.4	**–**	–	**7.0**	7.4	**7.5**	7.8
					623	601	**213**	205

RETAIL

Retail is a dynamic environment and normal tenant churn creates the opportunity to constantly refine and shift our tenant mix to match consumer and retail trends. We craft the shopping experience for customers.

KEY ACHIEVEMENTS

Leasing of mothballed vacancy at Lakeside Mall, Benoni	In 2014, a significant 5 000m² 13-cinema premises was vacated and remained unlet. This year, as a result of Shoprite agreeing to waive its exclusivity at the centre, our development team undertook a R75m redesign and redevelopment of the space in the mall's former entertainment area and handed over beneficial occupation to Dis-Chem (1 400m²), Pick n Pay (2 500m²) and Pick n Pay Liquor (130m²). This creates a powerful anchor at a previous weak point of the mall and is positive for the entire retail mix. The two big stores opened post-year end in July, with the liquor store delayed by the Covid-19 regulation banning alcohol sales.
Introducing Dis-Chem to Waterfall Mall, Rustenburg	We relocated Dis-Chem from Waterfall Value Centre to Waterfall Mall as part of our R72m, 1 900m² extension project and it was fortuitously able to open in the mall in the weeks before Covid-19. This project also added 251 structured parking bays to the mall.
Conversion of office space into retail space at Middestad Mall, Cape Town	We successfully converted a floor of unlet office space in this mall into modern retail space, which was well supported and tenanted, and improves the tenant mix.

CONTEXT

No net new demand for retail space. Worldwide and locally, retailers are consolidating their brands, cutting store numbers and reducing store sizes	New development in the retail sector came to a standstill as a result of low demand. We were not seeing retailers leave one centre for another and few were expanding, but several sought to downsize and new retail market entries were non-existent even before the Covid-19 pandemic. Rent was targeted, leasing was difficult and negotiations were challenging, which put reversions under pressure.
An ailing economy, unemployment and strained consumers	The initial low economic growth forecast of 1% for 2020, which was revised downwards during the year, would be disastrous for retail even in normal times. There was limited top-line sales growth and retailers embarked on massive cost-cutting exercises.
A switch to value shopping	The lack of disposable income drove support of value fashion and this is a category we can grow in our portfolio. Plastic goods retailers are bucking the trend and cautiously growing their footprints as are, in select cases, food retailers.

Performance

This year was a game of two halves. Prior to the Covid-19 pandemic, our shopping centres' trading densities were on a par with FY19, despite the difficult conditions, and thus in line with our expectations. However, the impact of the lockdown decimated their performance.

Our renewal success rate in FY20 was nevertheless stable and satisfactory. Rental reversions, although negative, were better than those of our peers and vacancy levels were healthier than the benchmarks.

As it is for all retail landlords, tenant retention was a priority for us and we did well although vacancies crept up. The additional vacant space in our portfolio mainly represents a handful of specific, large vacancies which were expected.

Edcon

Edcon, even before Covid-19, was deteriorating. Reducing our exposure to Edcon was a priority and we were able to decrease the group's space in our portfolio from 120 000m² to around 88 680m² in the 18 months to end-FY20. We are pleased with this progress, although we would have liked to do more.

At the time of writing there was some positive news about the Edcon business rescue efforts. CNA was sold in early April. Edgars was given a lifeline by Retailability's bid to take over the top-performing, but not all, Edgars' stores. The Jet stores were under offer from TFG. Both Edgars and Jet deals were subject to conditions, and if successful were expected to be effective from 1 September 2020.

While we have been concerned about a potential increase in vacancies as a result of Edcon store closures, our reduced exposure and the sales, if they go ahead, are likely to lessen this risk considerably.

Even so, there will be vacancies that will contribute further to a glut of retail space in general, and we expect to spend time and money on re-tenanting and where relevant, redeveloping any vacant Edcon premises in FY21.

Retail is a dynamic environment and normal tenant churn creates the opportunity to constantly refine and shift our tenant mix to match consumer and retail trends. We craft our shopping experience for customers.

With the cost of solar installations coming down, and electricity tariffs rising, projects that were previously unfeasible are now proving viable. We have identified and approved several viable solar projects but, in line with Growthpoint's cautious approach to capital spending, we will wait before proceeding with these. We are, however, working on projects to add back-up power generation facilities to certain of our shopping centres. This is an expensive undertaking but we don't see the electricity supply situation improving, considering Eskom's challenges in maintaining its ageing, deteriorating network.

Our Cape Town properties are benefiting from the alternative water supply initiatives implemented in response to the city's water security crisis a few years ago and we are extending these solutions to other regions to reduce our reliance on municipal infrastructure. We have also initiated a project to install smart-check meters at our centres to manage consumption effectively and detect and repair leaks quickly. Our plan is to phase this in for big users in all our buildings in future.

We have found ourselves spending an inordinate amount on fire safety infrastructure as a result of insufficient municipal water pressure. To comply with safety regulations, we have had to build our own water tanks at several properties. The growing inconsistency in water supply means we have had to install tanks so our ablution facilities can function during outages. Boreholes also play a key role in water security at our shopping centres.

We are cognisant of the expected changes in waste regulations and are experimenting with different solutions but have yet to find a feasible one. We will continue to look for answers to the wet-waste challenge.

Our shopping centres are where people interact and interface with Growthpoint and there is a huge focus on reciprocal support. Our centre marketing and social investment programmes are being tailored and targeted towards supporting local communities, which improves penetration in their markets and instils loyalty and a stronger connection to the people who use our shopping centres. The more in touch we are with our communities, the better we can support them and be a part of their lives.

Portfolio highlights

Sunward Park Shopping Centre in Boksburg and Edgars Stanger both transferred out of our portfolio during the year, in July and October 2019 respectively, after their successful sales. We were well advanced in selling Edgars Bloemfontein at year end. It is our only property in the city which made it an outlier and inefficient to manage. We had hoped to make better progress in refining our portfolio. We acquired no retail properties in FY20.

Developments

To protect the value and appeal of our retail buildings, we have invested in refurbishments, upgrades and demand-driven expansions of most of our top 10 shopping centres in recent years. These improvements position them well to be competitive going forward. This year, our development team continued to add value to certain of our shopping centres through reconfigurations, and while many of these projects involved only one or a few tenants, the overall impact on the retail mix and value of surrounding retail space is meaningful. In fact, we consider several to be among our key achievements.

Building	Area	Tenancy	m² actual floor area affected – not centre's GLA	Capex approved Rm	Completion date
Completed					
Longbeach Mall	Cape Town	Refurbishment	3 545	**27**	August 2019
La Lucia	La Lucia, Durban	Refurbishment	6 864	**66**	October 2019
Middestad Mall	Cape Town	Redevelopment of first floor	19 557	**24**	March 2020
Lakeside Mall	Benoni	Redevelopment for Pick n Pay and Dis-Chem	4 892	**75**	April 2020
Waterfall Mall	Rustenburg	Dis-Chem relocation and parking deck	16 673	**72**	February 2020
In progress					
Festival Mall	Kempton Park	Taxi holding facility and extension canopies	1 000	**5**	Undetermined
Total				**269**	

Our CSR report details our new initiative aimed at developing local enterprises and entrepreneurs in various communities in which we own shopping centres, especially as valuable opportunities arise when we are embarking on improvement projects. This initiative is being driven by Property Point. We are cognisant of the benefits of working closely with Growthpoint's CSR team and Property Point and it will be a structured focus in future.

Covid-19 impact

From early-March when the first Covid-19 cases in RSA were confirmed, we watched the distress unfold in the already fragile restaurant category and others, especially after the hard lockdown was announced. Non-essential shopping generally tapered off while the support of gyms and cinemas plummeted.

A massive amount of work went into enabling retailers to operate under these circumstances. At our shopping centres, parking revenues were cut off, cleaning increased, sanitiser stations were introduced and there was much liaison with the government in order to understand and apply regulations. It became apparent that there were a number of new initiatives and workstreams which we would need to be part of to navigate the choppy waters, and Growthpoint took a leading role in many of these industry forums and task teams. In addition, there was much information sharing with Growthpoint's other sectors.

In April, shopper numbers were dismal. People shifted what shopping they were doing from enclosed malls to convenience centres in their neighbourhoods or where it was possible, online. Even as more retailers were permitted to open and the lockdown was eased, the mall shopping environment remained unnatural. Open-air centres have performed better, especially where they offer a combination of supermarket, pharmacy and services.

Expenses increased significantly with more cleaning and security needed. We received over 2 000 communications from retailers about their rent. Large retailers were very quick to take legal advice and through the media, created misperceptions with smaller tenants, which took months to clear up.

In step with our retailers, every one of our shopping centres with a management office stayed open in a safe and limited manner. Our great people on the ground provided feedback on customer and retailer conduct to our senior team, whose ability to quickly switch to remote working was impressive. This structure supported our ability to perform well in demanding circumstances.

The uncertainty created by Covid-19 is widely recognised and was magnified in the retail setting. At times it was unclear who could trade with some retailers being certified to trade only to be shut down by police. They were threatened with severe fines. Policing was inconsistent between provinces and between cities. We cooperated with authorities at all times and managed to ensure that our centres remained open for business.

When easing from lockdown level 5 to level 4, the retailers that opened soonest did better, capitalising on pent-up demand, while those who took a while to gear up for opening struggled to gain momentum. Electronics outperformed, driven by the sale of merchandise that supports working from home. With the world working in an increasingly digitised way, we expect this trend to continue, albeit to a lesser extent.

We found retailers were extremely negative about their positions, sometimes validly. Those that were in a weak situation before the pandemic were especially badly affected and some saw this as an opportunity to renegotiate rents.

The PI Group's guidelines steered the minimum relief we offered, but we went even further in specific cases, especially for smaller retailers who were profoundly affected. Our team went into overdrive negotiating and calculating relief packages for thousands of retailers in our shopping centres countrywide.

We initially found it difficult to reach agreements with the industry top five retailers – Woolworths, Mr Price, The Foschini Group, Truworths and Pepkor. However, the PI Group was extremely helpful, assisting in getting landlords and retailers around the same table and collaborating to structure workable solutions. The refreshing co-operation enabled us to get much done through the forum. Even so, negotiations with some of the national retailers were protracted and difficult.

As the weeks passed, more economic activity resumed, but for retail categories that were unable to trade either fully or partially, the pain was extended. We had to alter some agreements and there were some that we had yet to finalise at year end.

In May, as more shops opened, some shoppers returned. Value fashion traded brilliantly, outperforming sales from May 2019, due to a combination of pent-up demand, buying down and the seasonal change resulting in a need for cold-weather clothes, especially for children. Home and decor retail experienced a slow start. This category was showing weak performance going into the crisis and consumers had little appetite for big-ticket purchases.

Our hopes of moving to level 3 in mid-May were dashed and our centres remained on reduced trading hours to enable a 5pm closing time. We had to wait until June for the economy to open further. At this stage, about 80% of shoppers returned across our portfolio, with the exception of the Western Cape, where the spread of Covid-19 was peaking earlier than in the rest of the country. This became a pattern as the pandemic peaked in other regions. We noticed that people were still shopping, just more purposefully than before. There is no doubt that online shopping is growing in South Africa, but it still represents a very small percentage of sales even with the digital shift driven by the pandemic. What we see confirms that physical stores remain the vital part of omnichannel retail, and the foundation of most retailers' businesses.

We made a concerted effort to enable our restaurant tenants to re-open and trade – at substantially reduced rents. Sadly, the lockdown operating limits imposed meant that some still couldn't make their numbers work and were unable to re-open.

One of the single biggest issues we had to deal with was store closures after confirmed cases of Covid-19 on the premises. Larger retailers quickly became better and more efficient at responding with sanitisation and isolating and rotating staff, which minimised their closure time. But, for retailers with fewer resources, stores were often closed for longer.

The Covid-19 pandemic came at a massive cost to our retail sector this year and is likely to have a big impact in the year ahead. A higher than normal business failure rate is inevitable and we'll be required to provide more retailer assistance than ever before.

The operating environment has changed for both retailers and malls, but we had to work through the initial shock of this crisis together and we have come through it with stronger relationships. A deeper understanding of our retailers' businesses was gained in the process and will be of great benefit to all of us in future.

This was an intensely stressful period for our staff. While putting everything into their work, the KPI numbers by which performance is measured continued to deteriorate at an alarming rate. This is a difficult situation for people who are passionate about their buildings.

Our shopping centres have always been very much part of their communities and the pivotal role they play was highlighted throughout the Covid-19 crisis. Besides meeting the need for essential goods, many of our centres donated food packs to car guards and others in need on numerous occasions. They collaborated with retailers and supermarkets to collect food and care parcels for the vulnerable. We also worked with SAPOA and the government to identify possible temporary virus testing sites in our portfolio and offered them at no cost.

The big lesson we learnt was that even on the southern tip of Africa we are not immune to, or disconnected from, what happens in the rest of the world. We are part of the global community. We can learn from other countries but, equally, we are up to the challenge of Covid-19 and its impacts on our own retail environments. We appreciate that a lease is a contract, but commercial decisions were needed and winning the battle at the expense of the war is not constructive.

Our team is strong and, with the support of our systems and software, they rose to the challenges and were able to perform intricate analyses which were of immense value in facilitating well-informed decision making. This has added tremendous value and we will continue to generate and use these insights in future.

Outlook for FY21

Cost containment is going to be a significant focus in the difficult period ahead. Rentals will be strained and retailer footprints are certain to shrink generally, but we enjoy the advantage of owning shopping centres that are not oversized. Many of our retailers are right-sized, which might protect us from shrinking store sizes to some extent. We expect shorter leases. We also foresee more business failures and rescues.

Our non-GLA income all but dried up during the hardest lockdown levels, highlighting the need for a formal structure to take advantage of this revenue source. Non-GLA or alternative income is derived from sources outside of long-term retailer leases. Some of the most popular ways it is generated includes temporary displays and exhibitions and advertising. Our drive to unlock added value from non-GLA revenue, inside and outside our properties and through their digital assets, is well advanced and we are finalising a structure which will deliver on this area of potential for Growthpoint. Excitingly, while this began as a retail workstream, it is relevant across all sectors and our entire portfolio. We believe this will improve and increase revenue for Growthpoint and seeing this initiative gain momentum has been a bright spot this year. With the immediate demands of Covid-19 on our portfolio and team, our progress was delayed by several months but we intend to activate our plans for this untapped revenue potential as quickly as possible to support a rebound post-lockdown.

With the experiential and entertainment elements of our shopping centres – a massive part of the social and enjoyable experience – being limited by physical distancing in the immediate future, we will be focusing on creating that experience in other ways, and doing the basics brilliantly is our starting point.

We've invested in our core assets to enable them to weather the storm and to ensure they remain desirable to shoppers and retailers. Our team is stable and strong and know their buildings and markets well.

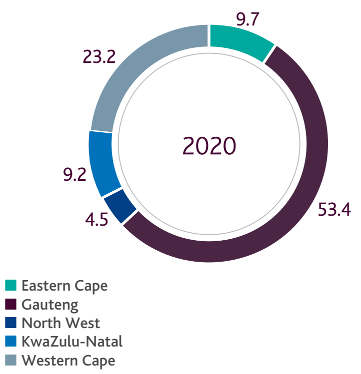
Growthpoint's participation in the PI Group and leadership in the industry-wide provision of retailer rental relief has elevated our reputation within the retail sector and strengthened our relationships. We are well placed to have open conversations with retailers going forward.

RETAIL continued

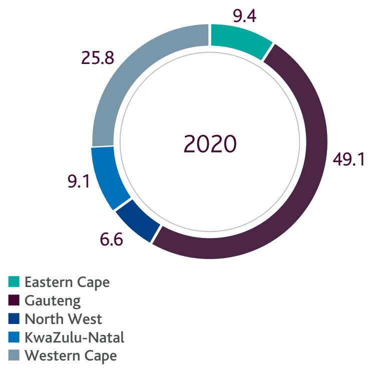
Retail tenants top 10 by gross rental contribution as at 30 June 2020

	Tenants	GLA m²
1	The Foschini Group Limited	**58 234**
2	Pepkor Holdings Limited	**72 763**
3	Edcon Holdings Limited	**88 746**
4	Shoprite Holdings Limited	**132 226**
5	Mr Price Group Limited	**56 626**
6	Pick n Pay Stores Limited	**110 467**
7	Woolworths Holdings Limited	**87 268**
8	Truworths International Limited	**31 564**
9	Massmart Holdings Limited	**61 928**
10	Clicks Group Limited	**27 854**
Sub-total		**727 676**
Balance of the sector		**568 549**
Total for the retail sector (excluding vacancies)		**1 296 225**

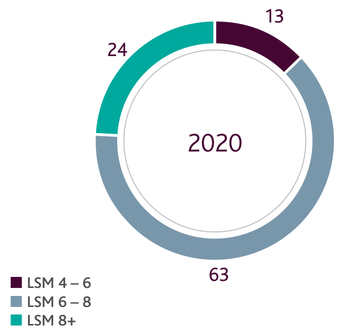
Geographical split by GLA (%)



Geographical diversification by value (%)

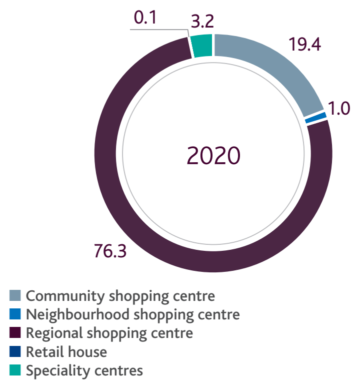


Retail LSM by value (%)



Segmental split by GLA (%)

Segmental split by value (%)



Retail properties top five by value

1

BROOKLYN MALL AND DESIGN SQUARE (75%)

Brooklyn Mall is nestled in the affluent suburb of Pretoria's cosmopolitan area of Brooklyn, surrounded by established upmarket residential homes, corporate offices and a large number of embassies and diplomatic properties. Brooklyn Mall is the premier shopping destination in Pretoria. It offers shoppers a full complement of national retailers, specialist boutiques, restaurants and coffee bars and the best of home and décor shops.

Pretoria | Rm 1 990 | 7.4% | m² 56 333m² | 4.1%

2

FESTIVAL MALL

This regional centre is close to the CBD and near the residential areas of Kempton Park. Due to the mall's close proximity to public transport, the centre also benefits from strong support from the Tembisa area. The tenant mix covers a wide range of categories, with a strong national representation.

Kempton Park | Rm 1 660 | 6.2% | m² 82 849m² | 6.1%

3

WATERFALL MALL

Waterfall Mall draws shoppers from as far afield as Botswana. Located in the upmarket suburbs of Rustenburg, the centre has easy access from the R24 and N4 highways. The size of the centre allows for an extensive representative tenant mix which includes most national retailers as well as a variety of specialised retailers.

Rustenburg | Rm 1 601 | 6.0% | m² 49 883m² | 3.7%

4

N1 CITY MALL

N1 City Mall is located in a strong, well-established business precinct with excellent visibility and access off the N1 freeway. The centre offers a comprehensive tenant mix and caters to a wide range of shoppers from LSM 5 to LSM 10.

Cape Town | Rm 1 568 | 5.9% | m² 63 378m² | 4.6%

5

VAAL MALL (66.7%)

Vaal Mall is in the heart of Vanderbijlpark and the Vaal triangle with 150 fashion and retail stores, a food court and sit down restaurants.

Vanderbijlpark | Rm 1 364 | 5.1% | m² 44 019m² | 3.2%

Location | Rm Value | % of total retail portfolio | m² GLA m² | % of total retail GLA

OFFICE

To thrive, we must really understand what our clients need and respond nimbly to assist them to re-imagine their workplaces and work practices.

KEY ACHIEVEMENTS

Africa's first WELL rating	Cementing our commitment to sustainability and doing the right thing, the Growthpoint-developed Exxaro headquarters in Pretoria, a 21 000m² office building opposite the Centurion Gautrain Station, became the first building in Africa to be awarded WELL certification. It received Silver Level WELL Core and Shell Certification from the International WELL Building Institute in the US. The WELL Building Standard is the first global rating system to focus exclusively on how buildings, and everything in them, can enhance health and wellbeing. It was developed by integrating scientific and medical research with leading property expertise. In line with both Exxaro's and Growthpoint's high environmental standards, the design for the leading-edge HQ development also achieved a 5-Star Green Star rating from the GBCSA.
Successful letting of 144 Oxford	We fully let our new development at 144 Oxford Road in Rosebank, Johannesburg, to blue chip clients including anchor tenant Anglo American, PepsiCo, Rothschild & Co, Finastra, Integrove and UBS South Africa. This is one of the biggest office buildings in the Rosebank business district and its marketing was excellently timed to coincide with there being little competing stock in the market. We achieved our feasibility rentals with all clients. While constructing this 4-Star Green Star certified building, we also worked to build a good relationship with its immediate surrounding community.

CONTEXT

Extreme economic weakness before Covid-19	The confluence of negative factors in the economy decreased demand for offices and choked rental growth.
Downshift in office requirements	There is a shift in trend from tenants favouring new, expensive space to wanting smaller, cheaper premises but in good nodes with easy access to many amenities.
Pinpoint location demand	Precise position within a higher-demand node is having an even bigger bearing on market appeal. Some micro-locations in business nodes are outperforming others and Growthpoint owns offices in many of these areas.
Severe and prolonged Covid-19 lockdown	Business disruption has had an extreme impact on smaller tenants and those in certain sectors, such as travel and tourism.
Balancing flexibility and control	Businesses are seeking to control hygiene and access to their workplaces, yet also want flexible spaces, which requires new solutions.

Performance

Our office portfolio delivered a solid showing prior to Covid-19, even though vacancies had crept higher and rentals reverted lower with the worsening South African economy and weakened property fundamentals.

Reducing vacancies and retaining tenants were key focus areas. Our typical portfolio assets – bigger, premium and A-grade buildings – are no longer the darlings of the market. Many businesses are now willing to sacrifice space and quality for the sake of economics and short-term sustainability. This has been a challenge for us in FY20 but the size of our portfolio and the situation of our assets are advantages.

Our agility in accommodating new and changing needs also put us in a strong position and we were able to conclude some good transactions, even in this tough market.

Vacancies increased but a notable number of our vacancies at year end were simply a matter of timing and new developments coming to market. For instance, the ex-Deloitte space of 39 800m² at Woodmead Office Park in Sandton had been successfully re-let on long-lease terms to Altron and DRA Global well in advance of the space becoming available, but the lockdown delayed occupation, which is now expected before HY21.

Fortuitously, we had little new development coming on stream this year. Lockdown business disruption, high uncertainty and low business confidence resulted in slow take-up of our new developments in Durban and Cape Town. However, there is demand for these offices and we are confident the buildings will attract tenants in due course. It is fortunate that we have come to the end of a development cycle and are thus not adding to market oversupply.

No single vacancy in our portfolio represents a specific problem but the combination of new development vacancies and tenants facing business problems has had a significant cumulative effect. The tough economic environment means vacancies are also likely to increase.

Rental arrears, a key focus for our team, was initially under control and isolated to a handful of issues. However, arrears levels increased after March and this is likely to be a more pervasive issue going forward due to the intense pressure on business in general.

Portfolio highlights

Throughout the year, our team focused on letting the new developments we had coming to market and on disposing of non-core assets through commercially sound deals.

We concluded two small but strategic building acquisitions this year, both with an upside that Growthpoint is best positioned to unlock. We sold six small, non-core properties – mostly empty buildings that were snapped up by buyers who were predominantly new owner-occupiers. The sales were accretive, reduced our vacant space and strengthened the portfolio. We had hoped to sell more non-core assets and, despite an even more difficult market, will continue to recycle properties wherever feasible, to strengthen our portfolio in areas where there is demand and disengage where there is none.

Developments

Development enables us to build bespoke buildings which exemplify our location, grade and green building criteria. Our experience, combined with that of our development team, qualifies us to design and build-in superior longevity, sustainability and functionality. Three geographically diverse new developments joined our existing office portfolio during this year, the most significant being 144 Oxford.

Building	Location	Description	Tenancy	m² actual floor area affected – not total GLA	Capex approved Rm	Completion date
Completed						
29 Richefont	Umhlanga Ridge, Durban	New office building	Various	3 418	**91**	August 2019
32 on Kloof	Longkloof, Cape Town	Redevelopment	Workshop 17	2 281	**75**	August 2019
Woodmead Estate	Woodmead, Johannesburg	Refurbishment	SAP	7 857	**32**	October 2019
Draper on Main	Claremont, Cape Town	New office building		5 361	**153**	December 2019
144 Oxford	Rosebank, Johannesburg	New office building	Various	36 988	**1 150**	February 2020
In progress						
The Woodlands	Woodmead, Johannesburg	Redevelopment of buildings 1 to 8	Altron	27 469	**226**	February 2021
Longkloof Studios	Longkloof, Cape Town	Parking basement, Refurbishment	Various	N/A	**261**	February 2021
Total					**1 988**	

Due to the global uncertainty around international travel and tourism due to the pandemic, we have decided not to bring our development of Canopy by Hilton in Cape Town's Longkloof precinct to market at this time. It will, instead, be completed at a time that best assures the hotel's success.

Until we can more accurately assess post-Covid-19 market demand, we have also limited our new development pipeline.

We will invest in refurbishments to keep our buildings modern and attractive to existing and potential tenants. This includes redeveloping and repurposing our offices and we have several such projects planned for the year ahead. None of these are speculative; all are tenant driven, including a refurbishment for Microsoft in Bryanston. This year, projects included the addition of standby water facilities at several of our buildings and office parks nationally, to support continuous safe operations during the increasingly frequent water interruptions in RSA.

Covid-19 impact

The office sector fared relatively well during the lockdown to end-June. Growthpoint's portfolio has a high proportion of large, listed blue chip clients who were able to sustain themselves through the economic and financial shocks. Our smaller tenants, however, were under more strain.

Covid-19 will impact our office sector business to the extent that it impacts our clients. Initially, office tenants experiencing business interruptions because of the lockdown requested assistance in the form of rental deferrals. However, requests for discounts soon followed with the extended lockdown period.

In solidarity with our tenants, we are being flexible and finding workable solutions to help sustain their businesses. This varies from rental relief to relocation to different or smaller spaces. Business sectors such as travel and tourism, marketing and media have been devastated while some professionals have also been very badly affected, and we are doing what we can to assist those tenants.

Most of our team mastered working remotely during the lockdown, while our building and facilities managers remained safely on site doing a fantastic job preparing workspaces for returning businesses. We have always emphasised cleanliness in our buildings but the measures necessary to curb the spread of Covid-19 have heightened our awareness of offering sanitised office environments.

Our experience underpins our confidence in the post-Covid-19 rebound of the office sector. We found that while less travel for meetings helps us work smarter and is more efficient in terms of time, cost and carbon footprint, there are times when strategic meetings, negotiations and ideation sessions are impossible to duplicate digitally and need to be done in person.

Offices in amenity-rich environments with outdoor access are proving to be popular for enhanced Covid-19 curtailing precautions. This has the potential to play out well for the contained environments created in the office parks in our portfolio. We are receiving demand from call centres which need more office space and prefer operating across two buildings in one office park to minimise risk and safeguard continuity. Also, some tenants now favour having their own building over multi-tenanted offices, in order to control hygiene and access, but still want access to amenities. Growthpoint has recently increased the amenities at our office parks, such as introducing a Mugg & Bean restaurant to The Woodlands and a hotel, medical centre and Dis-Chem store to Constantia Office Park in Johannesburg.

Beyond office parks, Growthpoint also contributes to many city improvement districts across the country, for the sake of our buildings and our tenants, but also our neighbourhoods and communities. We invest in the urban fabric around us to foster well-managed, safe, clean and amenity-rich districts that also happen to support the ongoing appeal of our offices.

Outlook for FY21

In an environment clouded by uncertainty, the solid fundamentals on which we have built our office portfolio over the years are a source of confidence.

Lockdown restrictions demand very little personal interaction and many businesses now appreciate anew the importance of their workplace. Offices facilitate corporate culture, collaboration, problem-solving, creativity and innovation like no other business tool can. They are the key that unlocks market advantage and drives differentiation. Of course, dynamics in the sector will be different now. Densities will decrease and remote working will increase. The way businesses and people work will undoubtedly become more agile. We believe that offering clients good workspaces in amenity-rich settings, supported by excellent service, is the foundation for success in this new environment. To thrive, we must really understand what our clients need and respond nimbly to assist them to re-imagine their workplaces and work practices. Workplaces, from corporate headquarters to co-working spaces, will need to be safe and flexible.

Market forces, such as downsizing and space consolidation, led to a general decline in tenant retention in FY20. Regardless of the environment, we believe we can do better in this area. By talking to our tenants during the Covid-19 lockdown, we have already improved our understanding of their businesses and their pinch points and strengthened our relationships. Our established SmartMove initiative has been joined by our SmartFlex campaign for tenants seeking unprecedented flexibility. It offers short-term leases of three to 18 months at market rentals across 28 of our buildings, mainly in Gauteng, which are already fitted out and only require furnishing by the tenant

Both these leasing initiatives reward new tenants and we acknowledge that there is an opportunity to reward long-standing tenants too. We are exploring ways to do this. In the meanwhile, nothing beats the value of providing tenants with the right accommodation and service. A key element of our service delivery is providing offices with a lower cost of occupancy that also support business continuity with back-up power and water. Growthpoint is a leader in this field and we are determined to continue to build on our advantage in this area for the benefit of our tenants.

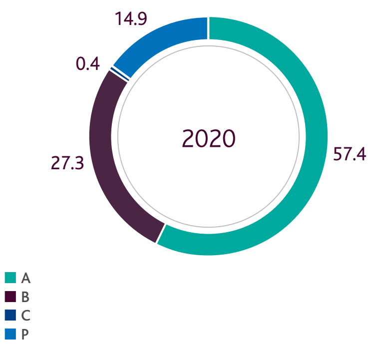
Due to the Covid-19 crisis, we believe there will be increased emphasis going forward on the design and operation of buildings for occupant health and wellbeing. Work environments that have a positive impact on physical and mental health, and workplaces that protect our families, businesses, communities and the public, will be most sought-after. Green buildings that prioritise health factors such as good ventilation and air quality are well positioned as the office properties of the future. Green buildings are also cheaper to run, which adds to their attraction for tenants. Growthpoint has the biggest portfolio of green-certified office buildings in Africa and targets a 4-Star Green Star rating by the GBCSA, or higher, for any new office development. This puts us in a strong position for the future.

Growthpoint's commitment to ESG reassures clients and potential tenants that we act with integrity, do the right thing and treat our clients and our people with respect. Ethical conduct is a market advantage in the office property sector.

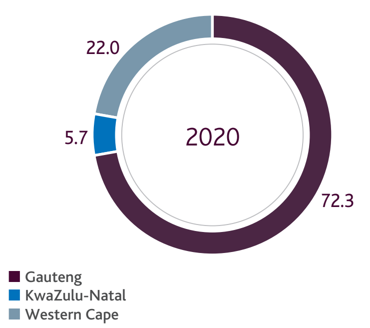
Office tenants top 10 by gross rental contribution as at 30 June 2020

	Tenants	GLA m²
1	Discovery Holdings Limited (55%)	66 696
2	Transnet Limited	31 535
3	Absa Bank Limited	28 393
4	Exxaro Resources Limited	21 708
5	Investec Bank Limited	13 785
6	EOH Holdings Limited	29 241
7	Ogilvy & Mather South Africa (Pty) Ltd	16 160
8	Aecom SA (Pty) Ltd	9 873
9	MTN Limited	13 317
10	Edward Nathan Sonnenbergs Incorporated	15 781
Sub-total		246 489
Balance of the sector		1 167 225
Total for the office sector (excluding vacancies)		1 413 714

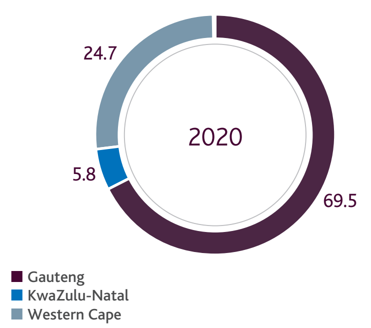
Geographical diversification by grade (%)



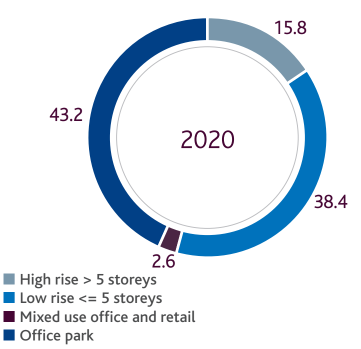
Geographical split by GLA (%)



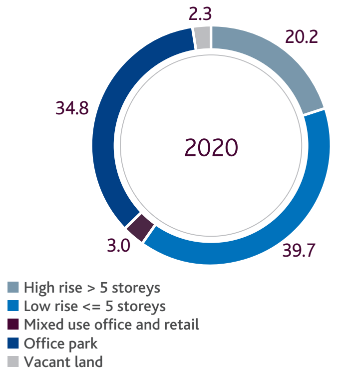
Geographical split by value (%)



Segmental split by GLA (%)



Segmental split by value (%)



Office properties top five by value

1

DISCOVERY 1 & 2 (55%)

The Discovery campus is prominently situated in close proximity to Sandton City and the Gautrain. The interior boasts modern state-of-the-art finishes.

Sandton | Rm 2 061 | 6.9% | m² 64 127m² | 3.8%

2

WOODLANDS OFFICE PARK

This office park consists of a number of buildings. The buildings are situated in a low density, game park environment with free roaming blesbok, impala, springbok, and other smaller animals and bird life. The Woodlands boasts amenities such as a restaurant, a gym, a nursery school and dry cleaner. The park is on a Gautrain shuttle route and is known in the area for hosting the park run.

Woodmead | Rm 1 581 | 5.3% | m² 97 758m² | 5.8%

3

CONSTANTIA OFFICE PARK

With a superb location benefiting from excellent N1 highway visibility and accessibility, together with amenities including a Virgin Active Gym and a Protea Express Hotel, it offers a combination of A and B-grade office space to 90 tenants, set in a lush park environment. It is let to major tenants like MTN, Afrisam and Primedia.

Roodepoort | Rm 1 009 | 3.4% | m² 74 450m² | 4.5%

4

INANDA GREENS

The office park offers easy access to major public transport routes. The park is a mix of modern and contemporary buildings that allows natural light to flow through.

Sandton | Rm 903.7 | 3.0% | m² 40 546m² | 2.4%

5

THE PLACE

Situated at Sandton's premier address, The Place comprises P-grade office space. It is let to major tenants, which include Aon and Growthpoint.

Sandton | Rm 708.9 | 2.4% | m² 35 384m² | 2.1%

Location | Rm Value | % of total office portfolio | m² GLA m² | % of total office GLA

INDUSTRIAL

Growthpoint's ethics and values defined our behaviour and we witnessed an astoundingly high level of compliance and exemplary conduct as South Africans countrywide identified the need to care for one another.

KEY ACHIEVEMENTS

Acquisition of Gosforth Park property	After two years, we are able to conclude the R140m acquisition of a prime, newly completed facility in Germiston, Gauteng, with seven large units that were already fully tenanted on transfer.
Achieving the first Green Star rating for an industrial building in Gauteng	In April 2020, Growthpoint and Serra Services achieved a 5-Star Existing Building Performance rating from the GBCSA for a 7 400m² facility in Meadowbrook, Germiston. This small but prominent corner of Meadowbrook has become a shining example of a green building in South Africa, with Serra's premises being directly adjacent to Growthpoint's award-winning 5-Star Office Design v1-certified Grundfos development.

CONTEXT

A steady rise in vacancies and arrears	Weakened property fundamentals indicative of the steady decline in the economy and operating environment over recent years have been intensified in FY20 due to Covid-19.
An intensely difficult year for all sectors of the industry	Industrial businesses were strained before the Covid-19 crisis and this situation was exacerbated by the hard lockdown implemented to curb the pandemic and the sovereign credit rating downgrade to below investment grade.

Performance

We performed below our expectations in FY20, with increased vacancy levels and provision for bad debts being substantial contributing factors. We have a diverse industrial portfolio and, on the upside, we benefited from the demand for big-box logistics and warehouses, which seemed to fare better in the market. However, we also have high exposure to smaller tenancies, which are more susceptible to changes in the economy.

We focused on five strategic areas during the year:

1 ***High-performance management***
We sharpened the service we provided to clients with improved collaboration across our different teams and regions, and made measurable progress on the plan to align all our operations to deliver consistent service excellence nationally.

2 ***Growing our industrial portfolio by means of both acquisitions and new developments***
This remains a long-term goal and was advanced as far as economic and market drivers would allow this year.

3 ***Rebalancing the portfolio***
We maintained our focus on refining our existing portfolio to ensure that all our assets are aligned with our core property investment criteria.

4 ***Disposing of non-core assets***
We successfully disposed of several assets that no longer meet our investment criteria, in commercially viable transactions.

5 ***Sustainability***
We maintained our performance in this area but there is room for improvement. This year provided an opportunity to reassess how we express Growthpoint's environmental commitment in the industrial property portfolio. We are now planning the implementation of certain measures, including a renewable solar energy drive that is a core focus and will play a key role in our portfolio and our business going forward.

We achieved reasonable renewal success rates around the 70% mark and kept our average lease period consistent at around four years. Our renewal rental growth rate, however, was driven downwards by weak market conditions, an oversupply of stock and aggressive competition. While tenant retention is our primary goal, we are fine-tuning this strategy to focus on accommodating good and resilient tenant businesses. No-one benefits from a failing business and being buried under prolonged, unserviceable debt.

Portfolio highlights

In line with our rationalising and rebalancing strategy, we disposed of and transferred six properties in this financial year and the sale of a further three were agreed on and are in progress. We will continue this programme of disposal of non-core assets which no longer meet our investment criteria. Industrial property has rapidly become the favoured commercial property sector as we consider commercially sound transactions, but there are always buyers in the market who hope to pick up discounted assets.

Developments

Development of new logistics and warehouse-type assets is significant for our portfolio. A lack of appetite to grow our portfolio by overpaying for acquisitions – and a lack of assets on the market that match our portfolio standards – means that the only way to expand it in accordance with our set criteria is through development. By developing, we can control the roll-out, location and quality of our assets, and we do have access to the superior skills and experience of a great in-house development team. We specifically want to grow our portfolio in the Cape Town and Durban metros, where we believe we are currently under-represented in the industrial sector.

The final phase of our 38 000m² Mill Road Industrial Park in Cape Town was completed at the end of the 2019 calendar year. We also completed our 20 000m² Trade Park industrial park development on KwaZulu-Natal's main logistics and transport corridor linking Pinetown to the newly established industrial node of Mount Edgecombe. Both of these developments boosted exposure in these targeted areas.

Building	Location	Tenancy	m² actual floor area affected – not total GLA	Capex approved Rm	Completion date
Completed					
Millroad Industrial Park – Phase 2	Belville, Cape Town	Multiple	13 066	**98**	November 2019
Sterling Industrial Park – Units 3-8	Samrand, Johannesburg	Multiple	19 479	**136**	November 2019
Mt Edgecombe Industrial Park – Phase 1	Mt Edgecombe, Durban	Multiple	20 301	**127**	October 2019
Growthpoint Industrial Estate – Building 3	Meadowdale, Johannesburg	N/A	4 362	**31**	July 2019
Millroad Industrial Park – Phase 3	Belville, Cape Town	Laser Logistics	4 884	**44**	July 2019
In progress					
Wadestone Industrial Park	Wadeville, Johannesburg	Naturecell	5 383	**28**	July 2020
Highway	Meadowdale, Johannesburg	Rebel Safety Gear	1 235	**8**	November 2020
Centralpoint Infrastructure	Samrand, Johannesburg	N/A	–	**15**	February 2021
Total				**487**	

Due to the weak economy and Covid-19, leasing take-up in these developments was, however, slower than we expected when the projects were begun. They were around 60% let at year end, but we are confident that, when more stability returns to the market, these great products in good areas will be fully occupied.

We also extended the lifecycle and enhanced the relevance of several assets through refurbishments and extensions. Our planned redevelopment of the former Midas facility in Germiston was, however, delayed by the Covid-19 shutdown.

At this stage, we have no new industrial developments planned for completion in FY21. Should opportunities arise, only tenant-driven projects would be considered, and on a case-by-case basis. We will not consider adding any risk to our business given the current property market conditions.

Covid-19 impact

Never before have all but a handful of businesses in the country locked down for 40 days or longer. For the manufacturing industry, restarting is also not as simple as flicking a switch; there is a lag in receiving materials, in receiving and placing orders and in businesses having to re-organise to operate with only 30% of their workforce. This impacted manufacturing and production capacities even after the hard lockdown. In addition, South Africa's consumption-based economy relies heavily on imports and exports that were negatively affected by many international markets being closed and then reopened, sometimes only temporarily, at different times.

The impact of Covid-19 on industrial property and our business was significant. We offered rental deferments rather than rental concessions to clients who requested relief, with repayment of the deferments commencing from 1 June 2020. This was optimistic in some cases considering the extended lockdown and we came to realise that there were several tenant businesses that would have to be nursed through the lockdown at Growthpoint's expense if they were to survive. The financial implications of this for our business were massive but we took the view that it was paramount to protect the sustainability of our tenants and to retain them as clients. Even so, some companies will have no choice but to close their doors, which will increase our already relatively high vacancy factor.

Our staff have been incredible during this time. They have been able to maintain good contact with each other and our clients, using the technology and systems at our disposal, and supported by the Growthpoint IT team. As a client-centric business, we have never been closer to our tenants.

As part of our community outreach, and as a participant in the national response to Covid-19, we offered industrial facilities to the government for use as field hospitals and PPE warehouses.

We learnt that a pandemic renders meaningless all standard scenario planning and forecasting. Growthpoint's ethics and values defined our behaviour and we witnessed an astoundingly high level of compliance and exemplary conduct as South Africans countrywide prioritised the need to care for one another.

In this spirit, we endeavoured to be easily approachable, quick to respond and equal to the challenge of dealing with all the additional administration required to communicate with our clients and to investigate and review requests for rental relief. Our team did exceptionally well and the vast majority of our clients were hugely grateful for our approach and partnership. Unfortunately, we were unable to accommodate some requests that were simply unaffordable but fortunately, there were very few businesses that sought to exploit the situation.

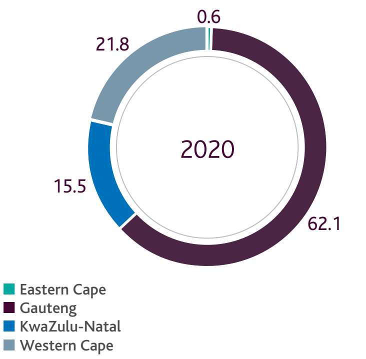
Outlook for FY21

We are expecting yet another difficult year in a series of challenging years where each one has been incrementally tougher than the previous year. In fact, FY21 is likely to bring a confluence of headwinds far worse than anything we've seen before due to South Africa having been downgraded to sub-investment grade by the rating agencies. We expect more business failures, higher unemployment and the consequent absence of business and consumer confidence in the face of insufficient government funding to assist the economy to recover from the Covid-19 crisis. Despite these conditions, we are committed to keeping good clients. This task is not going to be easy but there is no doubt that we have the right assets, teams, experience and relationships to succeed.

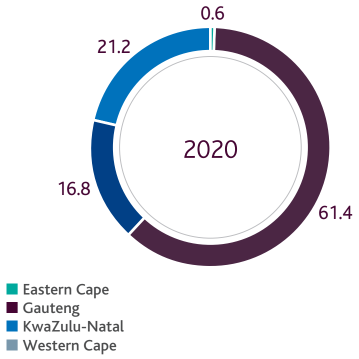
Industrial tenants top 10 by gross rental contribution as at 30 June 2020

	Tenants	GLA m²
1	The Bidvest Group Limited	58 681
2	Adcock Ingram Holdings Limited	34 549
3	Consolidated Steel Industries (Pty) Ltd	60 267
4	Scania SA (Pty) Ltd	23 717
5	Distell Limited	45 636
6	GZ Industries (Pty) Ltd	21 543
7	Heneways Freight Services (Pty) Ltd	25 573
8	Anchor Logistics	25 070
9	Nestlé South Africa (Pty) Ltd	16 255
10	KAP Industrial Holdings Limited	22 297
Sub-total		**333 588**
Balance of the sector		**1 812 488**
Total for the industrial sector (excluding vacancies)		**2 146 076**

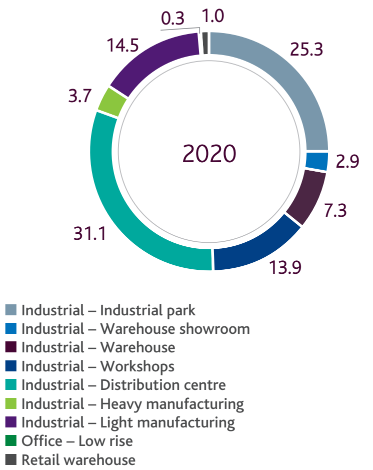
Geographical diversification by GLA (%)



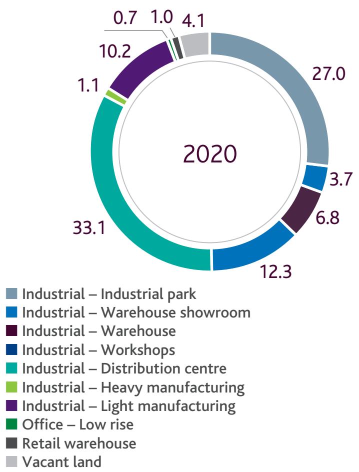
Geographical split by value (%)



Segmental split by GLA (%)



Segmental split by value (%)



Industrial properties top five by value

1

GROWTHPOINT BUSINESS PARK

Growthpoint Business Park is a mixed-use facility in central Midrand with highway exposure to the N1. Set in a tranquil estate with a number of national and international clients. There is some bulk available for future development.

Midrand | Rm 598.4 | 4.5% | m² 68 627m² | 3.0%

2

MONTAGUE BUSINESS PARK – (25%)

Growthpoint has 25% joint ownership of this newly developed A-grade industrial park in the sought-after Montague node. It is home to 18 businesses, which include leading brands such as Takealot.com, Supergroup, ABB SA and The Radiant Group. There is high demand for further development of the park's available bulk.

Cape Town | Rm 395.3 | 3.0% | m² 41 048m² | 1.8%

3

HILLTOP INDUSTRIAL PARK

With superb highway frontage and access, Hilltop Industrial Park encompasses some of the most functional industrial premises in South Africa. This B-grade industrial park is currently undergoing a major upgrade. It comprises 19 businesses and its tenants include Scania, Cartoon Candy, Capital Africa Steel, MAN Diesel and Turbo SA.

Germiston | Rm 368.8 | 2.8% | m² 76 284m² | 3.3%

4

ADCOCK INGRAM – MIDRAND

A single pharmaceutical temperature controlled warehouse with office facilities and within easy access to the N1.

Midrand | Rm 270.3 | 2.0% | m² 22 455m² | 1.0%

5

ISOBAR

This single tenanted large industrial facility is situated in the prominent industrial node of Isando

Kempton Park | Rm 225.7 | 1.7% | m² 50 219m² | 2.2%

Location | Rm Value | % of total industrial portfolio | m² GLA m² | % of total industrial GLA

V&A WATERFRONT (V&A)

We made exceptional advances in growing tourist-related business as South Africa will remain an attraction for international tourists with the phenomenal value that it offers as a destination.

Performance

Bucking the negative economic trend prevailing across South Africa by strategically optimising its international tourism appeal, the V&A performed exceptionally well until March 2020, when the Covid-19 pandemic first reached South Africa and a strict lockdown was implemented to slow the spread of the virus.

At the end of February, the precinct was on track to achieve the 9% growth EBIT forecast for the financial year to end-March 2020. Indeed, it was looking at exceptional office performance, anticipated retail growth of 6%, a solid showing from marine industrial, its best occupancy levels yet for residential-to-let and excellent year-on-year occupancy growth from hotels, particularly the Radisson RED. Unfortunately, this picture changed rapidly in March, when performance plummeted.

With local and international tourism suspended, a high proportion of entertainment shut down, and shopping activity mostly confined to consumers' immediate neighbourhoods, the V&A took a triple hit as the initial level-5 lockdown began.

Fortunately, however, the office component remained strong. Offices comprise about 27% of the V&A portfolio by revenue and this sector was least impacted by the lockdown. It was defined by keen tenant interest and low vacancies and delivered a robust performance to close the year 8% up from the previous year.

The marine industrial segment also remained healthy. Our fishing and marine tenants were broadly deemed as "essential service providers" and continued to operate during lockdown.

The Cruise Terminal, which had been on an exponential growth trajectory, saw this drop off drastically in March. The decline was, however, somewhat offset by parked ships, additional calls to repatriate South African crews and berthed superyachts in the marina.

The V&A team has made exceptional advances in growing tourist-related business over the past year. We knew that the South African economy was challenging but realised that our international tourism strength could be leveraged to circumvent the local economic weakness. Unlocking the anticipated increase in cruise-liner traffic is one of the ways we saw to build on the V&A attractiveness as a food and experiential shopping destination and we have made excellent progress in this focus area. We also believe this is still a valid strategy, despite the results being delayed by the tourism ban.

Hotel occupancy growth of 8% during the first 11 months of the financial year ending March 2020 also helped to drive strong retail performance in the precinct, but this was also cut off by the lockdown, along with the buzz and activity which characterises the V&A. On a positive note, the Radisson RED has since attracted a 24/7 international insurance call centre to run from the hotel. Almost 100 multilingual, skilled people have moved in and will live and work there for several months. By applying this kind of agile thinking, the V&A team is also finding ways to repurpose currently unused spaces to solve client problems. One example is to convert events spaces to help businesses meet social distancing guidelines by spreading out their staff.

Retail sales were 36% down in the month of March, reducing growth for the 12 months to end-March from 6% to 3%. During the mid-March peak tourist season, which usually sees about 80 000 people coming through the precinct daily, the count dropped to 3 500 people daily after the lockdown started. While grocery retailers and pharmacies could trade in essential goods, their sales for March were still 60% lower year on year.

From 1 June 2020, when lockdown was lifted to alert level-3, the V&A started to see visitor numbers rise again to between 15 000 and 20 000 a week. Restaurants and takeaway outlets will be instrumental in bringing back more people. The precinct has some 80 such operations, of which about 10% opened for takeaways. We are looking at restaurants in two categories: those whose market is mainly local and those whose customers are tourists. Where restaurants have a predominantly local customer base, we provided rental relief in April and May and will phase out this relief from the time that restaurants re-open.

In terms of clothing retailers, we are acting in line with the PI Group's guidelines for the larger national retailers, and have given full rental relief to the SMMEs and markets which had no capacity to absorb the shock. For medium-sized businesses, we have given appropriate relief based on the extent to which they are dependent upon international tourism.

Developments

The emerging upswing in the development cycle has stalled and a few of our potential deals have fallen away. We have reassessed all our development plans and have put some on ice until we have a better understanding of the post-pandemic market. These include our helipad improvement project and the refurbishment and relaunch of the 25-year-old Table Bay Hotel. We believe that the current lease on the hotel can be extended for the immediate term.

Our development for Deloitte remains on track, however, and is due to welcome the tenant in November. The development of the new head office for Investec Bank should also commence later this calendar year, with Investec occupying some 6 500m² of the building and some 2 500m² being speculative office space.

At the Cruise Terminal, the opening of the new food emporium has been delayed until December 2020 or January 2021. We believe it will open as local customers become more comfortable with the new requirements for eating out and socialising as its design provides generous space for social distancing.

We also remain committed to building a desalination plant for the V&A and have approved the project, but the timing of this development is being reviewed. The plant will take the precinct off the city's water grid, which will be a strategic advantage.

Even amid the current uncertainty, we are also intensifying work on the master development plan for Granger Bay. Catalytic development projects like this will be essential to ensure South Africa's successful emergence from the Covid-19 crisis and to help government rebuild the country's economy.

Sustainability

The V&A's far-reaching waste management and recycling practices have earned its popular Victoria Wharf Shopping Centre the prestigious 5-Star Green Performance rating for existing buildings from the GBCSA. This is the highest rating of any shopping centre in South Africa.

The V&A has also achieved Diamond Status under the Heritage Environmental Management Classification, with its focus on sustainability helping to elevate it from its previous Platinum classification. The re-roofing of the Victoria Wharf is a significant investment which will enable increased solar-power generation at the waterfront.

In its effort to divert waste from landfill, the V&A team is also exploring pyrolysis, where heat is used to incinerate wet waste and, in turn, generate electricity.

The application for an alternative exit route from the precinct through Duncan Road has not yet come to fruition. We are still optimistic that it will be accepted. When it is completed it will help alleviate traffic congestion in the city. We are also exploring a range of additional congestion-easing measures including ride sharing and park-and-ride.

Covid-19 impact – staff and society

All jobs were sustained and salaries maintained in the V&A 1 000-strong team of directly employed and outsourced staff. Outsourced contractor numbers were also upheld. As a substantial and well-managed business, the V&A has the wherewithal to endure shocks and we are confident business will return to some degree of normality in the medium term. We are committed to acting responsibly and ethically.

To protect and shield our staff, much effort has gone into setting up remote-working capabilities, enabled by our robust IT system. The remaining team members have been on site to keep the precinct operating safely and they have worked in two separate groups to ensure continuity.

To protect the most vulnerable of our tenants, we have given 100 percent rent relief to almost 300 food market and Watershed traders. We are also working with them on training and development while helping them to establish what aid is available to them and providing them with the resources to apply for this assistance.

We have harnessed the waterfront neighbourhood and network to make a difference by feeding the hungry and have increased our support for the most vulnerable. We recognised that food was the most urgent need for many at the start of the lockdown and immediately diverted CSR spend to support the local shelters for adults and street children.

In parallel, we are working on food relief with the NGO *Ladles of Love*, using the kitchens of our hotels and restaurants, sourcing and sometimes funding produce from local suppliers, and cooking soups, stews and other hot food for people in need.

The 180 buskers who usually perform at the V&A Waterfront also lost their income with the lockdown and we are paying them a support stipend to enable them to feed their families until they can come back.

Our team has not missed a beat. They have risen to the challenge of good communication with tenants and staff. We are focused on doing the right thing and acting ethically so that our business, people, partners and communities can all survive this crisis and emerge stronger.

V&A WATERFRONT (V&A)

Prospects

For its financial year to end March 2021, the V&A has revised its budget and anticipates a 25% to 40% decrease from its previous earnings expectations, which will take growth back about four years. At this stage, however, very little is really known about the timing of the return of international tourists and how deeply the recession will hit the local market.

After eight years of good growth, the challenge now is to manage in an environment where growth is tough to come by, especially with more business failures inevitable.

It is too early to talk about the "new normal", and it remains anyone's guess what the year ahead will be like, although it definitely will not be easy.

The precinct will re-open to a depressed consumer. Some restaurants will probably be mothballed until November with a nominal retaining rent applicable. Having fewer restaurants trading at the V&A will support the trade of the restaurants that are open.

We expect substantial drag from the hotel segment. We were assisting hotels with rental deferrals but there is no doubt we are going to have to share their pain – rental discounts are inevitable. The mothballing of some hotels is also a possibility. We understand that it is not viable for those businesses that are almost entirely dependent on international tourism to open without customers. However, we think some might open and re-focus on the local market.

International tourism is vital for the V&A. Our team is working closely with major tourism bodies and lobbying to encourage travel to South Africa by making it easier, adopting common standards, building suitable air bridges and making it safer. We believe that when people feel safe they will travel, and we hope international travel will open up to some extent by the end of the year. With the phenomenal value that it offers as a destination, South Africa will remain an attraction for international tourists.

V&A top 10 tenants by gross monthly rental (100%)

	Tenants	GLA m²
1	Allan Gray (Pty) Ltd	**20 357**
2	Nedbank Group Limited	**25 433**
3	Legacy Hotels	**16 226**
4	Tourvest Holdings Limited	**4 530**
5	The Foschini Group Limited	**4 409**
6	Woolworths	**10 527**
7	Department of Public Works	**17 323**
8	PwC	**9 650**
9	Edcon Holdings Limited	**6 550**
10	Sun International Hotels	**17 100**
Sub-total		**132 105**
Balance of V&A		**316 099**
Total for the V&A (excluding vacancies)		**448 204**

OUR PEOPLE

We were inspired by the resilience of our employees and their strength in adversity.

Human Resources (HR)

Our HR division is responsible for managing the organisation's talent and ensuring Growthpoint's sustainability through succession planning and transformation. We endeavour to create a positive work experience for each of our employees while protecting the interests of the organisation and ensuring that it meets its objectives. This year specifically, we played a critical role in safeguarding the safety and wellbeing of employees during the Covid-19 pandemic, while ensuring business continuity at an unprecedented time of disruption. We continue to strive to be an employer of choice.

Employment Equity (EE) and transformation

Growthpoint is committed to offering a diverse and transformed work environment; one which provides equal opportunities for all employees while also giving special consideration to employees from designated groups. We take steps to promote equal opportunities in the workplace by eradicating discrimination in all our employment policies and practices, and by applying affirmative action (AA) measures to redress imbalances in employment experienced by designated groups. We do this to ensure their equitable representation in the workplace.

Growthpoint has fared well in achieving the transformation objectives as stated in its transformation strategy. From an HR perspective, we manage transformation internally, and in 2018 we implemented a three-year EE plan with annual objectives. We also appointed a Diversity and Inclusion Forum to monitor and evaluate progress against the plan and ensure that our transformation aims were met. Our EE plan forms part of our transformation strategy, which is reported on each calendar year. Our existing EE plan is effective to the end of 2020 and we will create a new one to take us forward in 2021 that will include more elements focused on employee health and safety. It will form the basis of our future work and communication.

In FY20, we made inroads in achieving our employment equity aims, especially at senior, middle and junior management levels. EE is still a challenge at executive level, where we did make some progress during the year, but not sufficient to meet our targets. While we continue to make gradual headway in our numerical goals at the executive level, we have to be realistic about the progress that can be made through succession planning given the minimal turnover of executive staff and the temporary recruitment embargo due to Covid-19.

We believe that the important work being done by our Diversity and Inclusion Forum can be enhanced through improved engagement with employees and making them aware of what the company is doing in the area of transformation. In the new year, we will be considering various methods of appropriate monthly communication with employees to improve engagement.

Employee value proposition (EVP)

Our employee value proposition is based on total rewards and development opportunities, which include some of the following:

- Career and personal advancement opportunities
- Retirement benefits
- Medical aid
- Gap cover to ensure that employees are not out of pocket should their medical costs not be fully covered by their medical aid
- Group risk cover
- Accidental death cover
- Educational assistance for qualifying employees' children (GEMS)
- Work/life balance, which is crucial and supported by our flexible work hours and conditions of work
- Employee wellness programme
- Share options for all our employees

Covid-19 and our people

Covid-19 has defined FY20 in many ways, and affected every one of our employees, as well as our HR activities. We have taken a disciplined and multi-faceted approach to address the impact of the pandemic on our people and our operations and, understandably, prioritised the associated concerns.

In addressing the issue of remuneration during the business disruption experienced because of Covid-19, we first needed to understand the impact of the pandemic. Even before the lockdown was announced, the organisation began gearing itself up to manage the crisis. We considered various strategies and assessed our level of preparedness. This included our readiness for remote working, given that some staff could work remotely while others, based on the nature of their jobs, could not.

Options we explored included partial remuneration for those unable to work and providing assistance in accessing relief benefits. However, given the undue pressure on our national social system and considering our duty of care towards our employees, we decided to pay all employees in full, because any inability to work was through no fault of their own. We were also acutely aware that many of our people were facing additional financial burdens, such as supporting relatives and friends who were unable to work during the hard lockdown and beyond. The financial and employment security we were able to give our employees was received with gratitude and relief and embodied the kind of employer we strive to be. We at Growthpoint have been doing everything we can to ensure the personal, social, emotional and financial wellness of all our employees during the pandemic.

We are inspired by the resilience of our employees and their strength in adversity. Those in some business units who found themselves with reduced workloads during the hard lockdown, made themselves available to help those who came under increased pressure. We have seen "the power of us" at play now more than at any other time. Our corporate culture has been pivotal in helping us cope through this crisis.

We further supported all our staff by sourcing and providing the necessary PPE to ensure their safety. We reviewed our policies on cell phone and data claims and increased them to remove barriers to effective remote working. To remove obstacles of accessing any required Covid-19 testing for our staff, we engaged with our health and wellness partners and, where they were not already doing so, we asked them to consider a special benefit for our employees to ensure that the necessary testing costs do not diminish their out-of-hospital benefits. We also developed a plan to manage repatriation, which enabled the return of any employees abroad who wished to return to RSA.

As the economy began opening up, and more staff were allowed to return to work, we completed an environmental scan to ensure that our various offices were ready to receive our employees. This exercise involved sanitising, fogging and procuring temperature scanners and PPE, among other supplies, as well as communicating with employees to ensure they had a good understanding of what was required in terms of hygiene and other behavioural rules. Importantly, we put plans in place for any who might test positive for Covid-19.

Making sense of how to implement specific social distancing and hygiene methods in the work environment was not easy, as we were working with conflicting messages. Where there were contradictory requirements from different authorities, we always chose the safest action. For instance, what was considered a safe distance between workstations varied from 1.5m to 2.0m and we chose to keep ours 2.0m apart. The safe desk layout was checked each morning to ensure the infrastructure remained intact, and hygiene officers were appointed to sanitise them daily at regular intervals.

Our objective was to ensure that every step forward in opening our offices did not result in a step backwards in curbing transmissions. Reinforcing the effectiveness of our efforts, we passed a surprise government inspection of our Sandton premises, which reinforced the effectiveness of our efforts.

The team has done a fantastic job and we include in this the security staff at our offices. Conducting the scans and sanitisation protocol is critical, but the manner in which these are handled is equally important, and both are being done kindly and with utmost respect and care. As the developments around the pandemic and the national response change daily and weekly, we constantly adapted and improved our own responses.

We kept constant contact with the 144 staff members who were unable to perform their jobs during the hard lockdown to reinforce our support and to ease their worry at a time when many across South Africa were losing their jobs. Our efforts were enhanced by those of our wellness partners. This situation informed our return to work. We prioritised the return of these non-working staff members in line with their wishes.

Another important psychological factor that arose was our employees experiencing childcare and frailcare pressures during the lockdown. We put policies in place for this and communicated them to staff. Growthpoint does not have a set, formal policy on flexible work hours and under normal circumstances, such arrangements are made between employee and manager. We are keeping an eye on this area in the light of the demands of additional childcare, for example, or the additional precautions that those who are self-isolating or dealing with comorbidity factors in their home environments may need to take.

Considering Covid-19's impact on our business, processes and operations, we have put a hold on filling all non-critical positions. This moratorium will be reviewed as the market and business conditions change.

Our employees are seeking more communication than ever before, and we have addressed this through email and platforms created on WhatsApp to reach those at their workstations and those who are not desk-based. This has been supplemented by occasional personal calls to confirm our understanding of each person's preparedness and pinch points.

Our retail team was at the coalface of the effect of the lockdown, with management teams suddenly becoming responsible for the behaviour of the customers at our shopping centres. They became soft targets for abuse from authorities attempting to enforce the new and often ambiguous regulations. The work of these teams required around-the-clock dedication at times. To protect our people from burnout, we applied staff rotation and continued with our employee wellness support.

Social issues also emerged during the lockdown. Sadly, we were not immune to the increase in gender-based violence at this time. We became aware of employees who were being abused within their lockdown environments and, among other interventions, prioritised their return to the workplace.

Our HR team itself was under great pressure, with additional demands and the need for normal business processes to continue, and we communicated regularly to deal with the challenges. The team stepped up their efforts to stay on top of Performance Development Plans (PDPs) and industrial relations issues. Digital training was ramped up online to ensure that our employees understood how to use all the online tools available to them.

Our priorities, similar to other divisions, were to keep Growthpoint functioning and productive, and to immediately tackle the tasks that were crucial to achieve this. Our centres of excellence and business partnering supported this. However, it was necessary to narrow our focus, which resulted in our initiatives for staff grading and salary scales being paused and our employee engagement survey being delayed. The freezing of vacancies inevitably restricted our transformation efforts. It will be some time until our environment settles and stabilises into a "new normal" and until this happens, we will remain agile in tackling the challenges which emerge.

Health and safety

In our workplace, this is led by our dedicated Health and Safety Forum, whose role has taken on increased importance and prominence in the current context. Covid-19 falls within this ambit and, understandably, became a key focus. The pandemic has highlighted wellness as a risk in our business and we are exploring additional ways to manage this risk. Our compliance with all elements of national health and safety regulations and requirements remains non-negotiable. With the OHSA in mind, we are doing everything to make sure the work environment is incident free in all regards, including Covid-19 transmission to the extent that this is possible. At end June 2020, no Covid-19 cases had been contracted in our work environment. We ensure that anyone who contracts Covid-19 receives the right support.

Employee wellness

We are cognisant that the health and financial ramifications of the pandemic have increased mental health issues and stress, and we are also aware that Growthpoint is a high-performance environment. We boarded six employees this year and, in most cases, this was because of stress-related or predisposing factors. Wellness is not an event, it is an ongoing process, so we strive to be purposeful in how we deal with employee wellness. Our staff wellness days have been a key indicator of the health of our employees, but these have moved online with lockdown and, while they continue to be of some benefit in this format, they no longer provide the same value as a measure. Our employee wellness initiatives are designed around the main health concerns highlighted through our wellness programme.

Ethics barometer survey response

Our response to the findings of our ethics barometer survey, as was reported last year, continues. Overall, the results found that Growthpoint is ethically fit, but areas of focus were identified to improve the treatment of employees and our organisational culture and practices. The clearly defined areas within Growthpoint where the most effort needed to be invested were addressed, in large part, through our Diversity and Inclusion Forum.

Industrial relations

Many of our actions revolve around industrial relations issues, performance management and fair disciplinary procedures, because staff performance is linked to pay. In FY20, there were 38 industrial relations matters relating to misconduct and performance management, compared to 31 in FY19. This included one dismissal for harassment, in line with the policies we have put in place to ensure zero tolerance of harassment.

We believe that good industrial relations improve employee morale. Employees work with passion when they feel that the interests of both employer and employees are aligned and this increases productivity.

Staff turnover

We monitor our voluntary staff turnover, which this year was 4%. This is an acceptable level that is on par with the market. Including dismissals, total staff turnover was 7%.

Policies and procedures

We create systems to ensure a standard approach for our employees, and this year we developed a remuneration policy, revised grievance policy and we prioritised our human rights policy. Communication and staff training on new and updated policies will be offered on an e-platform in the future.

We intend to implement ESG considerations as a KPI for senior management that will affect their remuneration as it does that of the executives, but are still working on the hard measures that would define this KPI in FY21.

Grievance procedure

Employees with grievances can raise their concerns directly with our HR department and receive advice on how best to address the matter. As intended, this year we revised our grievance procedure and, once approved, we will embark on a communication and awareness drive about it. Labour and human rights issues can be addressed through our independently monitored whistle-blowing hotline, and we encourage employees to raise concerns about workplace malpractices without fear of victimisation or reprisal.

OUR PEOPLE continued

Growthpoint has a **whistle-blowing policy** that allows one to raise concerns about malpractice without fear of victimisation or reprisal.

(If you suspect underhanded deals, theft, sexism, racism or ageism, report it!)

Any whistle-blower will remain anonymous!

0800 167 463

GROWTHPOINT PROPERTIES

Talent and succession management

We aim to ensure that our work environment and conditions are attractive and conducive to optimising employee potential. Ensuring that new employees are aligned to our culture and values is key to this success, as is career development for existing employees.

Career advancement came into sharp focus this year and as we matched people with different positions in the light of changing business needs, staff members were able to advance their skills and expand their knowledge. This meant that in FY20, we were able to promote 16 people.

Training and leadership development

Our training priority in FY20 was to facilitate succession planning and employment equity. Emphasis was thus placed on learning and development, especially among our graduate associates and our junior and middle management staff. This is evident from our focus on learnerships during the year.

As part of our succession management and career development focus, we identify knowledge and skills gaps in the company and address them with specific performance development plans. We also have multiple initiatives at the leadership level, including informal coaching and mentoring. Learning and development allows our employees at all levels to thrive.

We increased our online training capacity significantly this year to ensure this critical function was not impacted by Covid-19 safety procedures. By doing this, not only were we able to continue with our planned training, we also provided digital training on various programmes and applications to support staff who were working remotely, as well as crucial training on our new IT system, MRI.

For us, the Covid-19 crisis highlighted the difference between managers and leaders. Managers manage processes. Leaders step up to lead their teams forward and it has become clear that we need leaders now more than ever. Where necessary, we empowered our managers with virtual leadership courses to give them tools they could use while working remotely and, in future, apply directly in the workplace. Leadership skills also became crucial for employees in non-managerial positions as they needed to step-up to the plate and work remotely without being micromanaged.

Labour and employment practices

We comply with various labour laws, including the Basic Conditions of Employment Act, the Labour Relations Act, the Employment Equity Act, the Skills Development Act and the OHSA. Over and above legislation, we strive to be a good corporate citizen and have policies and processes in place to ensure that we offer equal or more favourable employment conditions than those required by law. Growthpoint is not a unionised environment but places no restrictions on employees' freedom of association.

We stand against child labour and forced labour and all our employees are aged 18 years or above. Forced or compulsory labour does not apply to Growthpoint, but it is an issue of which we are acutely aware as it exists globally in a variety of forms. The most extreme examples are slave labour and bonded labour, but debt can also be used as a means of maintaining workers in a state of forced labour. Indicators of forced labour can also include withholding identity papers, requiring compulsory deposits and compelling workers, under threat of being fired, to work extra hours to which they have not agreed.

Employee statistics	FY20	FY19
Number of employees		
– full time employees	**623**	598
– contractors	**36**	26
Net property income per employee (R)	**595 992**	402 743
Average tenure of employees (years)	**8**	8
Annualised attrition rate (%)	**7% of which 4% was voluntary**	11% of which 7% was voluntary
Number of industrial relations cases	**38**	31
Average age of employees (years)	**45**	42
Minimum CTC – lowest level of employee (R pa)	**112 590**	108 000
Direct investment in employee training (Rm)	**4.5**	4.6
Total cost of employee training (Rm)	**5.5**	6.5
Number of employees trained	**1 103**	740
Hours of training per employee	**8**	10
Total number of sick days	**1 926**	2 041
Weighted average number of sick days per employee	**3.1**	3.3
Number of physical injuries	**0**	0
Days lost to incidents	**0**	0
Serious occupational injuries	**0**	0
Fatalities		
– full time employees	**0**	0
– contractors hired by HR	**0**	0
– Third party contractors	**0**	1

HIV/Aids

We respect the confidentiality of every employee. Growthpoint does not discriminate based on HIV/Aids status, nor do we test employees. The conditions of affected and infected employees are managed and supported by our extensive employee wellness programme. Based on information provided by our largest medical aid provider, the HIV prevalence rate within our organisation is estimated to be between 4% and 6%.

Human rights

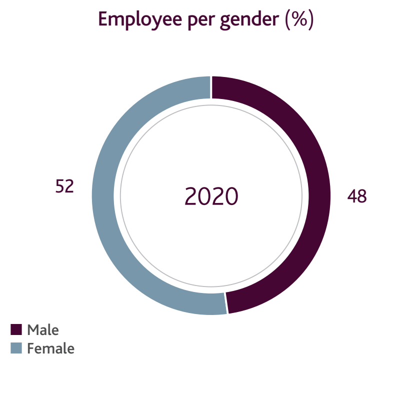
Growthpoint believes human rights are sacrosanct and is committed to upholding them, including freedom from discrimination of any kind. As such, this year we introduced a human rights policy. In line with the country's Constitution, we do not tolerate any form of hate speech and we believe every individual has the right to live the way they choose. Furthermore, our commitment to human rights includes indigenous rights. Growthpoint is dedicated to good corporate citizenship.

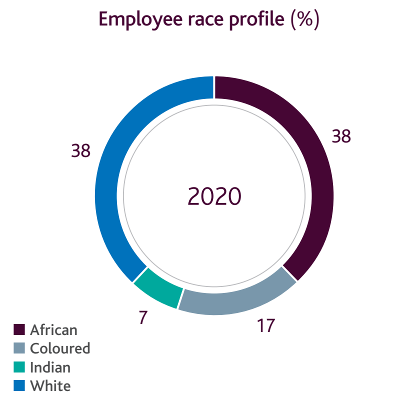
The Black Lives Matter movement was a prominent force in social discourse in South Africa, and around the world, during the year. We remain committed to building a space without racial bias and tension. Racist conduct is a dismissible offence, and we have dismissed two managers over the past three years for this unacceptable conduct.

Employee Assistance Programme (EAP)

We value our employees and are proud to offer a programme to support them and optimise our success. This voluntary, confidential programme helps all our employees, their families and management work through various life challenges that may adversely affect their job performance, health and personal wellbeing. The services offered through our EAP to employees with personal and/or work-related concerns include assessments, counselling and referrals for added services. Employee challenges include a wide range of issues such as stress, financial issues, legal issues, family problems, office conflicts and alcohol and substance abuse.

Our programme often also works with management and supervisors to provide advance planning and employee preparedness for situations such as organisational change, legal contingencies, emergency planning and response to unique traumatic events.





Supporting our staff in difficult and uncertain times

SA's economic challenges, now intensified by the Covid-19 crisis and several other factors, are understandably having an impact on our staff. Growthpoint is working to assist our employees in dealing with the financial and social impact this is having on them. With our continued programme of property sales to streamline our South African portfolio strategically, we have found ways to minimise the risk of retrenchment for our staff. Our EAP services also support our people who are trying to manage the stress of the burdens that the economy and pandemic is placing on them.

FUTURE FOCUS

The intensified pressure that Covid-19 is exerting on an already challenging economic environment has heightened the urgency of achieving streamlined performance. We are a capital intense business and need to work smarter going forward. In the past, our merger and acquisition activity has resulted in the unforeseen consequences of job fragmentation, which we have managed down through natural attrition, and culture dilution, which has proven difficult and costly to manage. Having learnt this, we are now vigilantly guarding against culture dilution in order to support our performance.

As a business, it is essential that we are decisive and effective. Integral to this is the ability of our leaders to act at the correct level. When executives are strategic, senior staff are managerial and mid-level employees are tactical, we avoid undermining the empowering structures that we have put in place. Now more than ever we need to avoid role compression, be less rigid and more empowering.

Throughout this report, we have mentioned several strategic priorities for FY21. These include setting our new EE plan, transformation strategy and related targets, as well as conducting a staff engagement survey.

CORPORATE SOCIAL RESPONSIBILITY

Growthpoint has committed to supporting the national effort to limit the impact of Covid-19. We have intensified our humanitarian initiatives in the face of the consequences of the pandemic, in spite of the negative effect on our own business.

Corporate social investment

Growthpoint's outlook towards corporate social responsibility has always been to focus on driving sustainable impact for the communities in which we operate. Our core focus areas have consistently been supporting education initiatives, entrepreneurship development and staff engagement. During the year under review we have not steered from our core focus areas but during Covid-19 have ensured that we enhance the support for the various initiatives.

Through our education initiatives we have always focused on providing support at each level of the educational value chain. This year we continued our support of educating early childhood development practitioners, continuing our support of bursars at Christel House, expanding our reach through Growsmart and increasing our scholarships on our Growthpoint GEMS initiatives.

Growthpoint's long-standing track record of social partnership and good citizenship stood us in excellent stead when responding to the coronavirus crisis. We were able to react rapidly, together with trusted partners and well-established, high-impact networks in communities across South Africa.

Covid-19 social solidarity response

Our Group Chief Executive Officer, South Africa Chief Executive Officer and Group Financial Director each pledged one-third of their salary for three months to the Solidarity Fund created to assist in curbing the Covid-19 pandemic in South Africa. The Chairman of Growthpoint and several Non-executive Directors each donated a third of their quarterly Board meeting fees to the Solidarity Fund. The Solidarity Fund is a powerful example of the generosity, compassion and patriotism shown by South Africans in this time of crisis. It is an independently administered vehicle to help the government and civil society to fund the response to the Covid-19 crisis.

As part of the Property Industry Group, Growthpoint's response to supporting those tenants who had been severely affected by the Covid-19 lockdown is detailed in our SA business report. However, it is worth noting here that Growthpoint's rental relief directly protected the jobs of those working for the recipients. By structuring relief in this way, we made a significant social impact by helping to sustain these employees and their families through the lockdown.

As a response to support small businesses in our supply chain during lockdown, Growthpoint continued to pay suppliers in full, regardless of the capacity of their service, to ensure that they could continue to pay their staff.

To minimise the risk of spreading the virus within Growthpoint's operations, the company imposed strict measures to protect employees. It invested extensively in safety and sanitation at its many properties, including shopping centres across the country which support essential retail, to safeguard the health of millions of South Africans.

Growthpoint also continued to support its CSR partners, to ensure that they could rise to the new challenges they faced.

While it is too early to understand the full impact of the Covid-19 pandemic on Growthpoint's CSR, we are painfully aware that it will leave in its wake a greater social need and fewer resources. We acknowledge that, as a significant corporate, we need to be consistent in our support. We have long held that doing good is not only about the sentiment, but also about having the most impact. We don't believe in sacrificing CSR spend for profitability. It has, however, become abundantly clear that our HR and CSR – our people and communities – are inextricably linked and have to be viewed together.

Corporate social investment projects

EARLY CHILDHOOD DEVELOPMENT (ECD)

For the past four financial years, Growthpoint has funded the training of early childhood centre practitioners, with the primary objective of "improving education outcomes by creating a more inclusive society". This year, we improved the alignment of our CSR strategy with the needs of ECD centres with the help of an impact assessment completed in FY19.

Christel House

Using a life-transforming educational model, Christel House educates, feeds and provides healthcare for disadvantaged children from early childhood through to early adulthood. The 30 students supported by Growthpoint started Christel House's remote learning curriculum on 1 April. While persisting through the crisis, Christel House is breaking ground with new and innovative ways of educating and supporting students.

Protec

This programme prepares school learners for science, technology, engineering and maths (STEM) careers. The 40 learners supported by Growthpoint with maths and science tutoring sessions, come from four schools deep in the rural areas of Limpopo's Vhembe district. They have shown gradual improvement since starting the programme. However, they are being held back by social challenges endemic in rural communities. A lack of technology in the schools and homes isolates learners in general, and

CORPORATE SOCIAL RESPONSIBILITY continued

specifically during the lockdown. This inaccessibility has highlighted that, going forward, it will be imperative to review this and our other CSI programmes in terms of incorporating technology as early as possible.

Education Africa

Growthpoint assists Education Africa to educate, equip and empower people by providing it with office space. Dedicated to poverty alleviation through education, Education Africa was able to continue several of its initiatives during the lockdown, such as its Unisa programme in Business Focus Management.

Ntataise Lowveld Trust

Ntataise teaches and supports ECD practitioners to stimulate rural and underprivileged children. Stipends for the practitioners who are being trained were diligently paid during the lockdown and they were connected via WhatsApp to enable them to communicate.

Botshabelo

Botshabelo helps orphaned children, underprivileged preschoolers and women through its children's homes, preschools and teacher training centres. During lockdown, teachers were provided with training modules to work on and received their stipends to assist them in providing for their families. They were also given access to technology for WhatsApp and online meetings to enable them to check on learner progress and engage with them.

Genesis SafePlace

The ongoing support for this safe place for victims of injustice, abuse and violence has helped it keep its doors open at this time of real need. In 2019, Growthpoint funded the establishment of the SafePlace set up by the Genesis Trust in the Harding community in KwaZulu-Natal. This "run-to" facility supports vulnerable residents and is a place of refuge for those who feel threatened or are in immediate danger of experiencing violence. Besides being a safe place during the lockdown, when there was a surge of gender-based violence, the NPO also provided water in rural and informal settlements and delivered food parcels to households living below the breadline, such as child-headed homes.

Growsmart

The acclaimed Growsmart literacy competition is our leading educational initiative. It has run for 11 years in the Western Cape in collaboration with the Western Cape Education Department, three years in Eastern Cape with the Eastern Cape Department of Education, and was introduced to Limpopo in 2020. Responding to a real need in Limpopo, Growsmart is supported by Dwarsrivier Chrome Mine and sponsored by the Boleng Trust, and now has 27 schools registered.

Unfortunately, the normal running of the competition was compromised by the Covid-19 crisis. It pivoted to including online content videos, as well as sharing competition information online and via WhatsApp. To ensure continuity, Growsmart in the Western Cape partnered with Heart FM for its literacy competitions and released an interactive workbook for learners that contained step-by-step instructions covering all Growsmart topics. A similar radio campaign will be run in the Eastern Cape from August to October 2020.

We are incredibly proud that Growsmart now has four alumni studying at university. In addition, three learners have been accepted into Grade 7 at Christel House, two are in their second year of the SAILI High School scholarship and one is in her second year on a Leisure Education Trust scholarship.

SUCCESS STORY: ZAVIER PETERSEN

Growsmart learner Zavier Petersen has been accepted into Bishops Diocesan College on a Legacy bursary. His father, Richard Petersen, said the following:

"I would like to thank Growsmart and Growthpoint for all their assistance regarding my son's educational future. I'll be honest in saying that I am in awe of all the doors that your company has opened for my son and all the opportunities presented to him. I feel blessed to have been a part of this wonderful initiative, with positive people who have helped me through this difficult process of getting my son the best possible opportunities afforded him. We would not have reached this point without your assistance and support. Thank you for all your patience and hard work… and for helping children to reach their full potential."

GROWTHPOINT GEMS

GEMS is rooted in the belief that young people are the custodians of the future. By providing them with quality education and critical soft skills, we invest in their success. This flagship programme has evolved from internal programme providing financial support to lower-income staff to further their children's education to a full youth development programme encompassing academic support, psychosocial support, emotional wellness, leadership, and personal development.

The programme is built on three pillars: academic performance, leadership and personal development, and psychosocial development, and is designed to equip the learners to be well-rounded young people.

The Covid-19 pandemic had a massive impact on education at all levels, including our GEMS programme. To reinforce the efforts to continue learning from home, we contracted emerging black-owned company Goodie Tutors to support students with online tutoring in key subjects, through both group and one-on-one sessions. Similar support was provided by Excel@Uni for our university students. Laptops were also given to students who did not have devices to access online learning.

We boosted all-important psychosocial support during the Covid-19 lockdown to support the mental health of these youngsters and their families, including a group session to connect with and uplift each other.

For the period under review, we allocated R4 891 470 to scholarships and development programmes for 74 learners from primary school to tertiary level. The qualifying salary limit for the parents and guardians of Growthpoint GEMS has been increased from R370 000 a year cost-to-company to R400 000 for the 2021 academic year. When the programme initially commenced in 2016, the qualifying salary limit was R300 000 a year.

SUCCESS STORY: MBALI MYENI

Mbali Myeni is a GEMS alumnus who joined the programme in 2016. She pursued a Diploma in Human Resource Management, and upon completion in 2019, became a graduate trainee in Growthpoint. Along her academic journey with GEMS, she was given several tools to aid her, including transport stipends, study equipment such as a laptop, access to a mentor, preparation for the world of work, and a five-year plan. At our annual leadership camps, she worked on her leadership potential, communication skills and networking, among others. She describes her GEMS journey as follows:

"The programme helped me to improve my communication and social skills with the leadership camps that we had twice a year, and that helped me to get along with people more easily. I attended classes that improved my self-esteem and made me believe that anything is possible."

G-SQUARED STAFF VOLUNTEERING INITIATIVE

G-Squared (G^2) increases awareness among staff about Growthpoint's involvement in community development and encourages and enables staff volunteerism. During the period under review, our volunteered hours reached 365, with executive management actively participating. To protect our staff during the Covid-19 pandemic, all participation in organised volunteerism was halted. However, in the spirit of active citizenship and in keeping with our values, many of our people were inspired to make a difference in their own communities in various ways during the lockdown.

CSI beneficiary breakdown by province for FY20

	GP	WC	EC	KZN	LP	MP	FS	NC
Discretionary fund and *ad hoc* donations								
Disability learnership	8							
Mould Empower Serve NPC	14							
iSchool Lab			22					
Christel House		30						
Botshabelo	8							
Midlands Community College				10				
Ntataise Lowveld Trust						10		
Protec					40			
Tennis SA	3	8		1				
Water polo	9							
Squash	20							
Growsmart (Western Cape)		1 297						
Growsmart (Eastern Cape)			219					
G Squared projects								
Mandela Day	500	200	160	160				
Heaven's Gate Safe Haven	30							
Princess Alice Home	31							
Lambano Sanctuary	406				4			
Father a Nation	30							
Home visits	81	600						
Rental subsidies								
Field Band	2 451	523	429		743	266	739	1 359
Education Africa	2 341	153	65					
Scatterlings	140							
Bursaries (includes SAPOA)	9	6		1				
GEMS	35	18	3	5				
	6 116	2 835	898	177	787	276	739	1 359

ENTERPRISE AND SUPPLIER DEVELOPMENT

Growthpoint remains committed to growing businesses and our economy to help address South Africa's societal problems of inequality and inequity. We have made a significant difference in this regard by developing sustainable small businesses through our Property Point initiative.

Despite a tough economic environment for small business growth this year, Property Point focused its efforts on driving programme expansion, making a sustainable impact and finding innovative solutions, as well as being relevant during the Covid-19 lockdown.

Among its highlights for the year, Property Point achieved ISO 9001:2015 certification for implementing quality management systems in the programme.

Property Point has three offerings that support businesses and drive youth employment creation in small and growing businesses.

The first of these is Local Economic Development (LED), an enterprise development programme for SMMEs that assists Growthpoint to develop small businesses in the communities where it is invested in retail assets. This improves the service delivery capacity and capability of small businesses in local communities and provides them with access to opportunities. It was expanded significantly this year and 148 beneficiaries gained from Growthpoint LED interventions in Kempton Park (Festival Mall), Rustenburg (Waterfall Mall) and Vaal (Vaal Mall), as well as in KwaZulu-Natal.

As the second offering, Property Point launched its "Green Economy" programme to enable small businesses to fully understand green and sustainability practices and the opportunities this represents for diversification and growth. Thirty-four businesses participated in the Green Economy programme, creating a pool of readily accessible specialist services that can be used by built environment stakeholders who enable and promote environmental transformation. We are also actively seeking to include women-owned businesses that incorporate green building and sustainability practices in their operations to the programme.

The final programme is aimed at mid-level managers, and Property Point partnered with the African Management Institute (AMI) to deliver an intensive six-month management development programme that translates training into tangible results for future leaders. There were 34 participants registered on the Property Point/AMI Middle Management Development Programme in FY20.

Entrepreneurship to the Point (ETTP) is a platform to inform, equip and inspire entrepreneurs. Building on its monthly events in Johannesburg, it expanded them to Cape Town. As part of this initiative, Property Point developed an "Impact Management and Measurement" workshop, which was piloted in West Africa and the United States. ETTP also hosted online events, reaching more people than ever, during the Covid-19 lockdown.

We planned various interventions with the view that, after lockdown, businesses would need to reposition themselves to take up market opportunities. Interventions were focused on reviewing strategies, value propositions, technological requirements and contingency planning. Property Point has made a sustainable impact between September 2008 and 30 June 2020, as follows:

NUMBER OF BENEFICIARY COMPANIES SELECTED TO PARTICIPATE IN PROPERTY POINT PROGRAMMES	NUMBER OF BENEFICIARY COMPANIES CURRENTLY ON PROPERTY POINT PROGRAMMES	NUMBER OF BENEFICIARY COMPANIES SUCCESSFULLY GRADUATED FROM PROPERTY POINT PROGRAMMES	THE GRADUATION RATE OF THE PROPERTY POINT PROGRAMMES
237	113	116	96%
(FY08 – FY20)	(FY20)	(FY08 – FY20)	(FY08 – FY20)

THE MEDIAN ANNUAL REVENUE GROWTH RATE OF PROPERTY POINT COMPANIES FROM BASELINE ASSESSMENT TO GRADUATION SINCE THE YEAR OF SELECTION	THE NUMBER OF ENTREPRENEURS WHO ATTENDED TRAINING, NETWORKING SESSIONS AND WORKSHOPS	THE TOTAL VALUE OF CONTRACTS AWARDED TO PROGRAMME BENEFICIARY COMPANIES	FULL-TIME EQUIVALENT JOBS CREATED
30.2%	7 667	R1 561 669 063	2 669
(FY08 – FY20)	(FY08 – FY20)	(FY08 – FY20)	(FY08 – FY20)

Case study

BACKGROUND

The engagement with the local community of Tembisa in Ekurhuleni began after the members of the community approached centre management at Growthpoint's Festival Mall in Kempton Park. The mall serves the residents of Tembisa. Community members were disgruntled because they felt that the mall did not provide business opportunities to the Tembisa community.

Upon consultation with Property Point, an information session was held with the leadership of the local community to clarify the matter. Property Point mediated the session between entrepreneurs and the mall, while our Procurement division provided more information on the business requirements in order to work with Growthpoint.

On 4 May 2019 only four out of the 21 businesses that attended the information session provided completed pre-qualification forms with the required attachments to corroborate the information provided on the form. Despite being incredibly sceptical about the process, Zecks Mafuna, owner of Zamafuna (Pty) Ltd was the only entrepreneur to communicate with Property Point on the different aspects of the pre-qualification form.

INTERVENTIONS

The company had all the required compliance documents with the exception of COIDA and public liability insurance. The absence of COIDA was because of an outstanding amount due to the Department of Labour and Property Point's programme manager advised Zecks to approach the Department of Labour to make payment arrangements. He did so and negotiated payment terms and a discount. In addition, the business owner applied for public liability insurance to the amount of R1m. In response to his initiative, Property Point settled the outstanding balance with the Department of Labour, removing a hurdle for this business.

Zecks then attended a painting training workshop hosted by Promac Paints. This was organised to equip Zecks and his staff with the right skills to execute work for a private sector company. Through the Essential Group, the Zamafuna team also received specialised training on areas ranging from power tool safety and basic welding from Academy Brushware, Glue Devil, Ingco and Matus. Come October 2019, Zecks attended health and safety training and he expressed great gratitude at the opportunities provided to his business by Property Point.

OUTCOME/SUCCESS

Following all the interventions provided and the business coaching, Zamafuna became the first business in Tembisa to be registered under the local development initiative as a Growthpoint vendor. This resulted in the business securing a portion of the painting contract at Festival Mall and concluding the work successfully.

Broad-based black economic empowerment and transformation

INDUSTRY REVIEW

Growthpoint continues to remain committed to transformation. Commitment to a cause is usually challenged during times of uncertainty and during the Covid-19 pandemic corporate commitment to socio-economic and transformation challenges has been tested. At Growthpoint, transformation is not a tick box or scorecard exercise but rather a strategic imperative underpinned by interventions to bring about real change and impact. This is evident in maintaining a level 2 B-BBEE rating on the Property Sector Charter Scorecard. As per our transformation strategy we continue to identify the gaps within the scorecard and putting in place the necessary mitigating actions to ensure that we maintain an optimal score. For the new financial year we will also embark on refreshing our transformation strategy for the next three years.

INTERNAL AUDIT

Growthpoint's policy is to provide and support an internal audit function that operates as an independent, objective assurance and consulting activity. This assists us to accomplish our objectives through a systematic, disciplined approach to evaluating and improving the effectiveness of our risk management, control and governance processes.

The Board has assumed responsibility for the internal audit function, set the direction for the internal audit arrangements and delegated oversight of internal audit to the Audit Committee.

The internal audit function is provided in-house and is the responsibility of the Head of Internal Audit and Risk Management, whose appointment, remuneration and removal are decided on in consultation with the chairmen of both the Audit and Risk Management Committees. The Head of Internal Audit and Risk Management is a member of The Institute of Internal Auditors and an associate member of the South African Institute of Chartered Accountants and subject to the code of ethics of both professional bodies.

Authority

The internal audit function derives its authority from the Audit Committee to which it reports every quarter. This committee is guided by its Terms of Reference. The objectives, authority and responsibility of the internal audit function are governed by a formal charter. Internal audit personnel are authorised to review all areas of operation. They have complete and unrestricted access to all activities, records, property and employees. Additionally, the Head of Internal Audit and Risk Management has unrestricted access to the chairman of the Audit Committee, as well as committee members in the absence of management, at quarterly meetings, if required.

Responsibilities

The responsibilities of the internal audit function include:

- Submitting an annual internal audit plan to the Audit Committee which indicates the extent and frequency of the work to be conducted and enables the committee to establish whether internal audit resources, as well as the allocation thereof, are appropriate to its requirements
- Conducting reviews of the key business processes to ensure the:
  - adherence to policies, plans, procedures, laws, regulations and contracts
  - achievement of established objectives and goals
  - reliability and integrity of financial and operational information
  - economical and efficient employment of resources
  - safeguarding of assets
- Reporting the results of reviews, together with opinions and recommendations, to management of sufficient authority to ensure appropriate action is taken when required
- Quarterly reporting to the Audit Committee on:
  - the adequacy or design effectiveness and the operating effectiveness of the systems of internal control
  - internal audit findings, recommendations and management's action plans
  - progress measured against the internal audit plan and the reasons for any deviations
- Co-ordinating audit efforts with those of the external auditor
- Addressing matters brought to the attention of the organisation through the Tip-offs Anonymous Helpline operated by Deloitte and reporting to the Audit Committee the nature of the incidents as well as any remedial actions taken by executive management

Internal audit processes

The scope of the internal audit function and the assignments planned for the following financial year are presented, discussed and approved at the last Audit Committee meeting of each financial year. The internal audit plan is based on an assessment of Growthpoint's key areas of risk in current operations, which is made as part of the risk management process as well as its stated objectives.

The internal audit plan is, however, subject to change during the financial year depending on:

- Unforeseen circumstances within the organisation
- Any specific changes agreed with executive management
- Any specific requirements of the Audit Committee

Both executive and operational management carry the responsibility for establishing and maintaining the systems of internal control necessary to provide the directors of Growthpoint with reasonable assurance that business objectives will be attained. Internal audit's role is to assist the Board and management in assessing whether the systems of internal control are both adequate and effective.

Adequacy is defined as to whether the key controls address the related significant inherent risks. Effectiveness is defined as to whether the key controls are operating as intended.

The Head of Internal Audit and Risk Management reports quarterly to the Audit Committee as to the adequacy of the internal control environment and any significant breakdown in internal control, and to the Risk Management Committee as to the adequacy and effectiveness of risk management processes.

GROUP INVESTMENT PERFORMANCE

Growthpoint's robust business platform is built on our core skillsets of funds, financial, asset, development, property, leasing and facilities management and we will continue to leverage our multi-skilled platform to ultimately grow our business and drive returns.

Overview of offshore property portfolio

	GOZ		C&R	GWI	
	2020	**2019**	**2020**	**2019**	**2018**
Asset value (Rm)	**51 845**	38 705	**14 764**	**58 553**	42 871
Number of properties	**58**	57	**7**	**62**	60
Gross lettable area (GLA)(m^2)	**1 042 929**	1 026 466	**328 512**	**1 213 700*** **	1 042 000***
Value per m^2	**AUD4 049**	AUD3 881	**GBP1 861**	**EUR2 474**	EUR2 568
Capital expenditure (Rm)	**1 057**	858	**1 714**	**2 725*** **	9 213***
Gross property revenue (Rm)	**3 024**	2 761	**715**	**4 027**	3 501
Property expenses (Rm)	**(487)**	(424)	**(335)**	**(1 267)**	(1 102)
Property expense ratio (%)	**16.1**	15.4	**46.9**	**31.5**	31.5
Net property income (Rm)	**2 537**	2 337	**380**	**2 760**	2 399
Vacancies (%)	**6.8**	2.0**	**5.0**	**5.3*** **	4.9***
Arrears (Rm)	**20.5**	6.2	**300.0**	**280.8*** **	225.1***
Bad debt (I/S) (Rm)	**3.0**	–	**93.5**	**92.7*** **	–
Average gross rental (per m^2/month)	**AUD290.3**	AUD260.0	**GBP14.8**	**–***	–*
Average annualised yield (%)	**5.7**	6.3	**7.2**	**–***	–*
Average in-force escalations (%)	**3.3**	3.3	**–***	**–***	–*
Weighted average lease period (years)	**6.2**	5.1	**5.9**	**4.6*** **	5.3***
Letting success rate (%)	**83.2**	66.5	**–***	**–***	–*
Weighted average renewal growth (%)	**(4)**	(8.6)	**(27.7)**	**–***	–*
Weighted average future escalations on renewals (%)	**3.4**	3.2	**–***	**–***	–*
Weighted average renewal lease period (years)	**13.9**	4.8	**–***	**–***	–*
Number of employees	**28**	24	**100**	**240*** **	205***

* *C&R/GWI do not report on these indicators.*
** *Measurements and ratios are based on income and not GLA (when compared to RSA).*
*** *These indicators are provided as at 31 December 2019.*
Note: C&R and GWI have December financial year ends.

GROWTHPOINT AUSTRALIA (GOZ)

GOZ continued to outperform the S&P/ASX A-REIT 200 Accumulation Index in FY20.

Growthpoint Properties Australia is a publicly traded ASX-listed A-REIT (ASX: GOZ) which specialises in the ownership and management of quality investment property. GOZ owns interests in a diversified portfolio of 58 office and industrial properties throughout Australia, valued at approximately AUD4.2bn, and has a mandate to invest in the office, industrial and retail property sectors. The current composition is two-thirds offices and one-third industrial properties. GOZ is included in the S&P/ASX 200 Index and has a Moody's investment grade rating of Baa2 for senior secured debt. GOZ aims to grow its portfolio over time and diversify its property investments by asset class, geography and tenant exposure through individual property acquisitions, portfolio transactions and corporate activity, as opportunities arise.

This was a year of two parts for GOZ. It was business as usual for the first eight months, which were distinguished by good financial and strategic progress.

However the last four months proved particularly difficult in the Australian context and from March GOZ, like other Australian businesses, was forced to respond to dramatic and immediate changes in the operating environment brought about by the Covid-19 pandemic. As a result of this uncertainty, it withdrew all forward-looking statements.

Although GOZ's earnings were not materially impacted, it reduced its second half distribution to retain a higher level of cash and to protect its long-term value. It announced a total FY20 distribution of 21.8c per stapled security.

Performance

As a result of entering this period on a strong footing and being able to meet the challenges presented by the pandemic, GOZ's FY20 FFO per security was 25.6 cps.

GOZ continued to outperform the S&P/ASX A-REIT 200 Accumulation Index in FY20, as it has done over the past three, five and 10-year periods. However, significant market volatility from March to June resulted in total shareholder return falling for both the index and GOZ in FY20.

Portfolio highlights

Most leases expiring in FY20 were successfully renewed, including a 25-year lease with GOZ's single largest tenant, the New South Wales Police Force, for their headquarters in Parramatta. This transaction was the largest leasing deal signed by the NSW government in recent years.

Two development projects were completed during the year. In February, GOZ achieved practical completion of Botanicca 3, a 19 447m^2 A-grade office building in Richmond, just outside the Melbourne CBD. Leasing of Botanicca 3 was more challenging than GOZ initially expected because businesses are reluctant to move in this uncertain operating environment and the building was vacant on completion. The property has received positive feedback from prospective tenants and GOZ expects to lease the property progressively by the end of 2021, which will have a positive impact on revenue. This development has produced one of the highest-quality metropolitan office buildings in Australia. Sustainability is at the forefront of Botanicca 3, from its solar panels and electric-car charger stations to its energy-efficient design which considers sustainability in heating and cooling.

The expansion of the Woolworths Distribution Centre in Gepps Cross, South Australia, was completed in June and Woolworths, which is a top-20 ASX-listed company and one of the two biggest supermarket chains in Australia, has commenced a 15-year lease extension.

Portfolio occupancy, excluding Botanicca 3, was 97% at the end of FY20, and the portfolio's WALE by income was 6.2 years.

GOZ's 15% interest in APN Industrial REIT (ASX: ADI), which was acquired in 2017, is proving to be a quality standalone investment with an attractive distribution. ADI is aligned well with GOZ's investment strategy focused on office and industrial property. However like all A-REITs, its share price dropped significantly with the impact of Covid-19, which impacted the value of GOZ's net tangible assets.

ESG

GOZ conducts several corporate social responsibility activities internally and this year it also donated to the Australian bushfire appeal. Its strong culture underpins its social and environmental achievements. During the year, GOZ also made good progress towards achieving its sustainability goals, and its Global Real Estate Sustainability Benchmark (GRESB) score increased by 9% to 72.

GOZ is committed to operating in a sustainable way and reducing its impact on the environment. It made progress in its climate change mitigation strategy which is focused on maintaining and growing a portfolio of highly efficient buildings, progressing decarbonisation by 2050 and building climate resilience across the portfolio. Highlights include two substantial solar photovoltaic installations, taking the total number of installations across the portfolio to six. It also committed to begin purchasing accredited renewable power for a number of key sites.

This year, NABERS ranked the GOZ portfolio among the top-10 most energy efficient property portfolios in Australia. In addition, NABERS recognised 100 Skyring Terrace, in Newstead, as the second most efficient office building in Queensland, and GOZ now has two buildings with a rare 6-Star NABERS energy rating, the highest-possible rating. The average NABERS energy rating across GOZ's modern, efficient portfolio is a high 4.9 stars.

Covid-19 response

When the Covid-19 pandemic hit Australia, GOZ's priority was the health and safety of its employees, tenants and the broader community. It implemented all recommended steps to stop the spread of the virus and it temporarily closed its Melbourne head office in mid-March to transition all employees to working remotely. In the face of uncertainty, GOZ committed to retaining its entire staff complement, without reducing working hours or fixed salaries.

GOZ entered this period with a strong balance sheet and capital position, with significant unused debt lines and no debt maturing until FY22. To enhance its liquidity, GOZ established an AUD100m debt facility with a new banking partner in May. It also extended an existing AUD150m facility that was due to expire in FY22, for four years. At 30 June, GOZ had unused debt lines of AUD360m and AUD43m of cash on its balance sheet. There was much capital raising on the ASX and in the REIT sector, and this was both defensive and to reduce debt, but rarely for acquisitions. With its gearing levels at 32.7% as at 30 March 2020 – which is well below its target range – and share prices in the sector down 50% in a few weeks, GOZ was able to choose not to follow suit.

In response to the Covid-19 threat, Australia formed a "National Cabinet" made up of federal, state and territory leaders to enable a united approach, and this body issued a code of conduct for commercial lease arrangements, valid for six months. It took time to get to grips with the code, especially as each state still had slight variations. However, mandatory rent relief was declared for SME tenants with turnovers of AUD50m or less who could demonstrate that their turnovers had been impacted more than 30%, and this will remain in place until September 2020 at least.

In GOZ's portfolio, such tenants included, for instance, the small cafes serving its office buildings, which were not bringing in any revenue. GOZ estimates that smaller tenants represent approximately 3% of GOZ's income and only some of these have been impacted and received relief, which in total has been minimal. Nevertheless, GOZ reached out to them to assist them when it mattered most, while also implementing a Board-approved process to review rent relief requests from bigger tenants. GOZ required detailed information from these tenants so it could understand the impact of the Covid-19 pandemic on their businesses and direct its support to those who needed it most.

Rental abatement provided by GOZ in FY20 totalled AUD800 000 or 0.1% of FFO per security. For accounting purposes, rental deferrals of AUD2.1m form part of rental income and are carried as debtors in its balance sheet.

Collections became a parallel focus during the final quarter of the year, and approximately 97% of rent billed in this period was collected. Considering the harsh economic times, this was an excellent result that underlined the way GOZ has curated its portfolio over the long term. The market generally is now sharpening its focus on the quality of tenants and strength of leases, but this has always been a priority for GOZ and the financial strength of its tenant base is protecting it now.

The market has also been focused on property values since the start of the Covid-19 crisis. There were no material changes to GOZ's property values at year end but it is waiting to see what impact there may be on values over the next six to 12 months.

GOZ's portfolio value reflected a slight increase of just 0.04% in the second half of FY20. However, this was enhanced by an increase in value of some of its long WALE properties such as New South Wales Police Force headquarters in Paramatta and Woolworths' distribution centre in Gepps Cross.

GOZ's exposure is limited to suburban offices and industrial buildings, which are likely to be much less affected by the pandemic than expensive CBD offices and retail properties.

In this context, GOZ is reassessing the best way forward for its development and acquisition pipeline. It is taking a conservative approach and is going to hunker down, but will still keep a keen eye out for compelling opportunities.

When considering acquisitions, the market certainly wasn't a normal one in which to buy properties, especially bearing in mind the border restrictions between Australia's states. Transaction volume was low and is likely to remain so until the economy gets back to work and the situation stabilises. Typically, transactions have become off-market direct approaches, or companies directly offering property sales and leaseback to selected parties.

Prospects

Industrial property, which makes up a third of GOZ's portfolio, has continued its global popularity and is proving to be the top sector in which to be invested. This trend continued in Australia during the pandemic, supported by the shift to online sales. Values proved to be resilient and in some cases have increased, particularly for large institutional grade properties with long WALEs.

While GOZ does not have any retail assets, it's important to mention the performance of this sector and unfortunately retail property was decimated by the impact of Covid-19 due to a structural shift in buying patterns with the shuttering of shops. Many retail properties are on the market for sale now. Listed groups with significant retail property exposure are being hammered by the market, leading to their share prices plummeting. Retail rental collections are poor. Many retailers simply won't pay rent or are only willing to pay a turnover percentage which means that, if shut, they are not liable for any rent. There will have to be a structural shift in rents charged by retail landlords. Unemployment is expected to rise and, given the already high levels of household debt, the outlook for this sector is the least favourable.

Two-thirds of GOZ's portfolio comprises office buildings. Most of these properties are in suburban locations and are expected to perform reasonably well relative to the market overall. They are in areas that are not overbuilt. Many businesses may adopt a "hub and spoke" office strategy going forward, with a central head office and satellite offices in suburban areas. This diversification of office requirements will support business continuity. Work from home is expected to encompass some work hours in smaller suburban offices close to home, which make it easier to travel in a more socially distanced way than commuting to main centres on public transport and waiting in queues to take lifts in 50-storey office blocks. The cost per square metre in suburban offices is also lower. As we are in a global recession, and corporates are cutting back, suburban offices are an advantageous option.

Office densities have increased in recent years and there has been a rise in the trend of hot desking. GOZ expects one impact of Covid-19 to be the reversal of this trend in the light of social distancing requirements, with densities decreasing and space requirements increasing, but being balanced out by more working from home.

Vacancy rates in major office sectors are moving upwards and there are more sub-leasing opportunities in the market. In the past, the trend in this type of situation has been for rent to fall slightly and leasing incentives to increase. With more competitiveness in the market, GOZ's modern office portfolio is well positioned with good occupancy by good tenants, on good leases.

Government assistance for economic stimulus represents more than 10% of Australian GDP. Much of that is dedicated to the JobKeeper payment set up in response to the pandemic, which enables companies to apply to the government to pay staff wages for six months, and is generous but costly. This support runs until March 2021, and there is concern about what the economic effects will be when it comes to an end. A fair bit of economic uncertainty could present some opportunities, but the financial stress hasn't yet reached levels that would encourage this.

"Our best tenant is our existing tenant", has become one of GOZ's key asset management approaches going forward. It is dedicated to building even stronger relationships with tenants in order to retain them. GOZ is focused on renewing leases and extending its support of the small number of retail tenants in its portfolio, so that they can stay in its buildings and start trading successfully again when Australia emerges from the worst of the pandemic.

There is however still a great deal of uncertainty around the effects of the Covid-19 pandemic on GOZ's operating environment and the broader Australian economy, especially in the near-term. Long term, however, Covid-19 is undoubtedly altering the way people work and live, and GOZ might benefit from some of these accelerating structural shifts in the form of increased demand for both its office and industrial assets. GOZ is thus well placed as a sustainable business for the long term.

GOZ top 10 tenants by gross rental contributions (100%)

	Tenants	GLA m²
1	Woolworths	**248 169**
2	NSW Police Force	**32 356**
3	Commonwealth of Australia	**36 343**
4	Country Road Group	**23 156**
5	Linfox	**58 077**
6	Samsung Electronics	**13 423**
7	Bank of Queensland	**13 237**
8	Lion	**12 317**
9	Australia and New Zealand Banking Group	**13 744**
10	Jacobs Group	**8 207**
Sub-total		**459 029**
Balance of GOZ		**526 356**
Total for GOZ (excluding vacancies)		**985 385**

CAPITAL & REGIONAL (C&R)

At 30 June 2020, C&R had total cash on balance sheet of GBP81m which is equivalent to more than one year's gross revenue.

Capital & Regional is a UK-focused specialist property REIT that invests in, manages and enhances retail property by creating dynamic environments tailored to local communities. It has a GBP611m portfolio of in-town dominant community shopping centres comprising seven assets, with almost equal weighting in value between London and regional retail. As a specialist owner and manager of shopping centres, it invests in the retail assets in its portfolio to unlock their full value. Its cost-effective, efficiently run centres meet the needs of its shoppers and retailers and provide shareholder value through income growth.

A significant milestone for C&R in FY20 was the investment of GBP77.9m by Growthpoint, which was completed in December 2019.

It had considered other investors in the market but Growthpoint proved to be the best fit. The two companies' values are strongly aligned and consistent, and they have a similar approach to business. C&R is committed to responsible business. It is socially responsible through positive impacts on its shoppers, retailers and broader communities and it works to minimise its environmental impact. It strives to adhere to the highest standards of corporate governance. The Growthpoint investment enabled C&R to reduce leverage and at the same time introduced a partner that can add value to the company.

Performance

C&R started 2020 from a position of strength and, having closed the Growthpoint transaction, it was ready to focus on the continued roll-out of its strategy to reinforce its platform of needs-based, non-discretionary, urban community retail for future growth.

Its balance sheet was in a robust position to counter the headwinds from a combination of economic uncertainty and the ongoing structural changes taking place in retail. Its portfolio had benefited from the more than 20 targeted projects undertaken in 2019 which had a positive effect on performance and laid the foundations for further improvements.

The structural shift in the retail landscape continued to accelerate and economic conditions in the UK remained uncertain. High street retail faced considerable pressure as a result, with increasing market share taken by online shopping. The UK shopping centre market was rapidly evolving with increasing polarisation between needs- and wants-focused centres.

In 2017, C&R adopted a strategy to redefine the community shopping centre segment in the UK, consistent with global best practice, and nothing since has undermined this plan, although retail is shifting at a faster pace. The strategy is designed to enable the business to evolve, adapt and grow in tune with the rapidly changing retail landscape. As the biggest operator of community centres in the UK, it has identified opportunities to apply its skills and relationships to drive growth in income and value, and the potential to unlock value, by adding a mix of uses to its assets.

Despite the strained economic and structural backdrop, C&R's portfolio was proving to be relatively resilient at the start of 2020 in terms of shopper attraction and retail occupancy levels. The business was well placed to weather and even capitalise on the market changes through its focus on high footfall centres characterised by affordable rents and anchored by non-discretionary spend (needs-based) grocery outlets and professional and personal services, including health and beauty stores.

However, from early March Covid-19 dominated headlines in the UK, moving from a distant crisis to a local one. In the final weeks of March, restrictions were enacted daily, and it became evident that Covid-19 would significantly impact C&R, as a pure retail REIT. The retail downturn was faster and more profound, and the recovery is taking longer than initially expected.

Covid-19 response

The government restricted retail to essential services on 27 March and all shops closed except a core component of grocers, supermarkets and pharmacies. All C&R shopping centres remained open to provide essential services to their communities. However, their capacity to do this was significantly reduced, with only 23% of its occupiers by contracted rent, or 68 stores out of 631, able to trade from early in the lockdown until mid June.

C&R's overriding priority remained the health, safety and protection of its employees, guests and customers, and it followed the latest official government guidelines and advice across its portfolio.

The lifting of restrictions, which enabled non-essential retailers to open again from 15 June, saw a significant increase in the number of tenants trading, with about 500 stores, or 74% of units, trading and another 10% set to open. In fact by the end of June, only 5% of stores in the portfolio were not authorised to open and 599 stores were trading. C&R continued to work closely with the remaining retailers to help them re-open as soon as possible.

Shopper numbers increased 97% from the final week of restricted retail to the last full week of June when footfalls were 55% of the amount recorded in the comparative week of 2019. Retailers also reported that average transaction values were higher than the comparable period of last year, with shoppers making focused, purpose-led visits.

The lockdown proved an unexpected, yet valuable, test of the community centre strategy. Some portfolio statistics outperformed those of peers as a result of the high proportion of non-discretionary retail and services offered at our centres. There was an increase in local shopping, out of necessity, and C&R's shopping centres are geared to cater to customers from close-by catchment areas. The way its shopping centres are used – weekly or more, with mostly weekday visits from local shoppers – is different from regional centres, where people tend to shop monthly or every alternative month.

There was a noticeable change in shopper demographics at C&R's centres during the lockdown. With shopping becoming local and essentials driven, and with fewer people commuting to city offices, the portfolio enjoyed more visits from the younger adult demographic than usual. While it incurred additional direct costs for PPE and sanitising because of Covid-19, these were small relative to the value of making customers feeling safe.

That said, there were three months of significant disruption to shopping centres, which led to a substantial downturn in rent payment as a result of shops not trading. Some government legislation had unintended and unhelpful consequences for the property sector. With a moratorium on the action available to recover debt, some retailers chose not to pay. The government moratorium is due to lapse at the end of September 2020 and, until then, the C&R team will work hard to improve the situation with active tenant engagement and dialogue.

In total, the business has collected roughly 50% of all rents due from 25 March to the end of June. Almost half of the balance of rent outstanding is due from major, well-capitalised retailers which have the capacity, and a clear contractual obligation, to pay. The company remains in active discussions with retailers on the outstanding rent. Likewise, it continues to engage with its smaller independent retailers as to how it can best offer support.

In line with government guidelines Snozone, the biggest indoor ski slope operator in the UK, which is fully owned by C&R, closed its two indoor ski-slope sites on 20 March 2020 and re-opened post-year end from 7 August with 45% reduced capacity and operational restrictions, including to its restaurant, and reduced hours. Its re-opening means that it should be able to operate during the months when it has historically proved to be most popular.

C&R expected property valuations in the market to come under some pressure during 2020 but the fall in valuations has been more profound than could have been anticipated. The UK is one of the most evolved omnichannel retail markets globally, and Covid-19 is amplifying this, with more businesses than usual being placed in administration and having to take insolvency action. Unexpected names are entering company voluntary agreements, including Travelodge, which is a portfolio tenant.

Market valuations in the UK tumbled 25% on average, with C&R faring better at 16%, with its assets outperforming the market and those in London being particularly robust. That said, there were few transactions in the market in the six months to end June and it remains to be seen how more market activity will influence valuations. C&R's centres are experiencing strong demand, with the potential to strengthen this further by including alternative-use opportunities such as medical, leisure and residential components.

To protect its balance sheet and liquidity, C&R suspended all non-committed capital expenditure projects at the start of the lockdown. A significant portion of the capital raised from the Growthpoint transaction was earmarked to pay down its debt and when Covid-19 broke out, it carefully considered how best to do this to protect its balance sheet and meet its strategic goals.

At 30 June 2020, C&R had total cash on balance sheet of GBP81m, which is equivalent to more than one year's gross revenue. It also had an undrawn revolving credit facility of GBP15m available until January 2022. The earliest maturity on any of its other loan facilities is February 2023. It had signed waivers for all income covenants with quarterly test dates in July and October 2020 on its three biggest asset-backed loan facilities. These represent over 93% of its outstanding debt. Discussions with banks are ongoing.

Prospects

It remains too early to quantify the ongoing effects of Covid-19 on C&R's operations. While it is clear that the pandemic is rapidly accelerating several structural trends that were already under way in the retail industry, we remain confident that the focus on local community centres providing non-discretionary and essential goods and services provides the business with a sound base during the uncertainty and will continue to do so when conditions allow a return to a more normal trading environment. We have also identified food services as increasing in importance in retail mixes as a result of more people wanting to work in regional offices closer to home.

C&R is adopting a considered and cautious approach to its next steps and seeking to maintain flexibility at a corporate level to assist it in navigating the risks of further falls in valuations – and the potential impact should there be further local or UK-wide lockdowns in the event of rising Covid-19 infection numbers during a "second wave" of the pandemic.

In the interim the Group remains focused on maintaining occupancy and income, together with delivering the remerchandising and repositioning of the Group's centres in the community centre model. This will require changing retail mixes to add more needs-based non-discretionary retailing, supplemented with more services including medical centres. It will also seek to unlock value through mixed-use residential development opportunities above its existing assets.

This approach is seen as the most prudent given the uncertain outlook due to Covid-19 to protect the Group and shareholder equity.

C&R top 10 tenants by gross rental contributions (100%)

	Tenants	GLA m²
1	A.S. Watson (Health & Beauty) Ltd	4 746
2	Alliance Boots Ltd	16 358
3	Primark Stores Ltd	13 372
4	NBC Apparel Ltd	11 862
5	H & M Hennes & Mauritz UK Ltd	6 414
6	Sports World International Ltd	8 552
7	Wilkinson Hardware Stores Ltd	16 133
8	Debenhams Properties Ltd	31 983
9	Maidstone Borough Council	4 697
10	John David Sports Ltd	2 781
Sub-total		116 898
Balance of C&R		193 548
Total for C&R (excluding vacancies)		310 446

GLOBALWORTH REAL ESTATE INVESTMENTS (GWI)

Globalworth has continued to increase the proportion of environment-friendly properties in its portfolio and 85.3% by value now consists of green-certified assets.

Globalworth is a listed real estate company active in Central and Eastern Europe (CEE) and quoted on the AIM-segment of the London Stock Exchange. It has become the pre-eminent office investor in the CEE real estate market through its market-leading positions in both Romania and Poland. Globalworth acquires, develops and directly manages high-quality office and industrial real estate assets in prime locations, generating rental income from high-quality tenants from around the world. Managed by over 200 professionals across Cyprus, Guernsey, Poland and Romania, it has a portfolio with a combined value of EUR3.0bn, as at 30 June 2020.

Approximately 94.4% of the portfolio is in income-producing assets, predominantly in the office sector, which are leased to a diversified array of about 700 national and multinational corporates. In Poland, Globalworth is present in Warsaw, Wroclaw, Lodz, Krakow, Gdansk and Katowice, while in Romania it has assets in Bucharest, Timisoara, Constanta and Pitesti.

The Polish and Romanian economies expanded again in 2019 and these positive conditions gave rise to firm demand for office and industrial space, with healthy occupancies and vacancies below 10% at the end of the year. Investment volumes in Globalworth's investment sectors, particularly the Polish office market, reached record levels in 2019. The first part of 2020 also started at a great pace in the CEE, carrying over the momentum of 2019, but came to an abrupt halt in March with the onset of the Covid-19 pandemic, which has created serious uncertainty regarding the future in the CEE and the world in general.

For its financial year to 31 December 2019, Globalworth reported a strong uplift in its earnings and delivered a total dividend of 60c per share (54c in 2018), which Growthpoint received in two instalments in August 2019 and February 2020. Globalworth also placed new equity of EUR264.3m in October 2019 with new as well as existing shareholders. Two of the biggest property companies in Western Europe and CEE became significant Globalworth shareholders; Aroundtown SA, which acquired a 21.9% shareholding, and CPI Property Group, which acquired a 29.4% shareholding and is now one of Globalworth's two biggest shareholders along with Growthpoint, which also has 29,4%. Globalworth also accessed the debt capital markets at the end of July 2020, successfully initiating a parallel process by issuing its inaugural green bond and raising EUR400m with a 2.95% coupon, while repurchasing approximately 40% of its 2022 Eurobond notes and effectively extending the maturity of a significant part of the 2022 Eurobond from June 2022 to July 2026. Following these liability management transactions, Globalworth improved its overall debt maturity profile by extending debt maturity further into the future.

Performance

Globalworth expanded its platforms in Poland and Romania and took advantage of favourable market trends and value-added opportunities during 2019 and early 2020. It also achieved a solid operating performance and demonstrated strength amid the Covid-19 pandemic, thanks to the quality of its portfolio, significant multinational and large national tenant base, limited exposure to the retail sector and proactive approach following the outbreak of the pandemic, with several measures being implemented that resulted in significant cost savings. Unfortunately, the rapid spread of Covid-19 has left no sector or business unaffected.

In a milestone for the company, its combined portfolio value exceeded EUR3bn. It expanded its platform in Poland and Romania and took advantage of favourable market trends and value-added opportunities. Its Polish properties accounting for 54% of the portfolio by value. Slightly more than 87% (89% including Rondo as of July 2020) by value of its standing office and mixed-use properties are managed in-house.

Also as at 30 June 2020, the liquidity position of Globalworth remained very strong, with EUR567m of cash and cash equivalents.

Healthy leasing activity during the previous 12 months saw 115 500m^2 of space taken up or extended, resulting in an average total WALL of 3.2 years.

Lease renewals have meanwhile become a bigger focus since the onset of the pandemic, given the high portfolio occupancy and leases relating to 5% of contracted rental due to expire before the end of 2020 and another 11% due to expire during 2021. In addition, several Covid-19 rent concessions were offered in exchange for lease extensions. About 80% of the renewals by GLA signed in the first half of 2020 were for leases that were due to expire in 2021 or later. These lease extensions, however, were for shorter periods than usual, reflecting tenant caution amid global economic volatility.

Globalworth's standing commercial portfolio occupancy at 30 June 2020 was 94.2%, including tenant options, with vacancies increasing a little, primarily because of new vacancies introduced with the completion of the Globalworth Campus Tower 3 development in Bucharest, Romania. Like-for-like annualised contracted rents of the standing commercial portfolio decreased to EUR182.1m at 30 June 2020, or by just 0.7% compared to end-December 2019, as the increase in rents (1.0% on average) due to indexation was outweighed primarily by lower occupancy. As at 30 June 2020, Globalworth had total annualised contracted rent of EUR187m for its standing portfolio with an additional EUR3.2m of annualised contracted rent pre-let in properties under development.

Portfolio highlights

Construction of the third and final tower of the Globalworth Campus complex, the largest office park in Romania, was completed in January after a 19-month programme. The 14-storey, 34 800m^2 tower will include an impressive 1 800m^2 conference room to serve the campus, which is due for completion by the end of 2020. The Globalworth Campus complex is a significant office project in the portfolio. It includes three A-class buildings housing extensive office spaces, retail outlets and various other facilities, and spanning a rentable area of over 92 000m^2. The park was built to offer a complete work experience and has been chosen as an office solution by companies such as Amazon, Mindspace, Garret Motion, Dell, Stefanini, and most recently UniCredit and Allianz. It complies with the highest energy efficiency standards, with all three towers now having BREEAM Excellent accreditation. The third tower received its BREEAM certification in the third quarter of 2020.

Globalworth has four projects under construction, three in Romania and one in Poland, with an average estimated development yield of 8.9%, and several other developments planned for the future subject to market conditions. In June, the business had completed the structural framework, the facade and other installations at its high-tech Globalworth Square project in Romania. Dubbed "the new office of the future", it will be the first energy-producing building in the portfolio and offer one of the most technologically advanced office spaces in the country. Located in the northern part of Bucharest, in the biggest business community in Romania, the building is designed to achieve the BREEAM Outstanding green accreditation. The 15-storey structure is set for completion in 2021.

ESG

Globalworth has continued to increase the proportion of environment-friendly properties in its portfolio, and 85.3% by value now consists of green-certified assets. Globalworth issued its second standalone sustainability report for its financial year to 31 December 2019 to support Growthpoint's overall sustainable development initiatives, as well as frameworks that many of its investors have applied. The Globalworth Foundation aims to make a contribution to the welfare of society and better shape conditions for future generations, consistent with the business's overriding focus on "People, Places and Technology". It supported a number of social causes in Poland and Romania in 2019 and 2020, and following the Covid-19 outbreak, it principally focused its efforts on the fight against the virus.

Globalworth recognises that technology is a major disruptor for the real estate industry globally and aspires to be the most technologically advanced landlord in the CEE office market. It takes a holistic approach to the use of technology to add value to its portfolio and to create a strong community with the users of its buildings.

GLOBALWORTH REAL ESTATE INVESTMENTS (GWI)
continued

Covid-19 response

When Covid-19 became a reality in Poland and Romania in March, the safety and wellbeing of Globalworth's people, partners, communities and other stakeholders became its priority, and the company focused on safeguarding its business, protecting its assets and minimising its exposure to the impact of the pandemic.

The authorities imposed very restrictive measures in terms of the movement of people and travel, as well as enforcing the closure of all but essential retail premises. They also introduced measures to protect affected businesses, including rent reductions and/or deferrals for non-essential retail businesses, effective for the extent of the state of emergency.

However, there was no forced closure of office premises, logistics and light industrial or essential retail businesses. Most of Globalworth's contracted rent is from office and industrial properties (89.9% of annualised contracted rent) which remained largely unaffected by measures taken by the authorities to combat Covid-19.

The Globalworth portfolio comprises little exposure to retail, other than three mixed-use properties in Poland and some small spaces serving office buildings. Of its EUR190.2m of total contracted rental at the end of June 2020, office rental, including parking rental, accounted for 85.1%, followed by retail (7.9%), industrial (4.8%) and other (2.2%).

During the quarter from April to June, Globalworth received a growing number of tenant demands and claims as a result of the restrictive and protective measures imposed in both countries and the resulting severe impact on most businesses and industries. The company adopted a collaborative approach to manage this evolving situation and assist tenants to weather the crisis while also protecting the sustainability and longevity of its income. Each case was considered separately.

The total value of claims was approximately EUR8.9m or around 4.7% of contracted annual rent. At the time of writing this report, half of the claims received had been settled, accounting for 2.4% of annualised rent, while claims equal to 2.3% of annualised contracted rental had either been rejected or were still under negotiation. Most applied to office (58.4%) and retail tenants (37.1%). The modest impact of these claims will be substantially mitigated by cost-cutting initiatives already implemented and the extension of leases negotiated as part of Covid-19 relief agreements with tenants. About 9% of claims had no impact on rental income and 40% led to lease extensions.

Globalworth enjoys long-term partnerships with high-quality national and multinational tenants to ensure sustainable cash flow generation. This minimised the impact of Covid-19 on rent collections in the portfolio, which remained at a high 92.7% for January to June 2020, versus 95.8% for the corresponding six months of 2019. However, of the EUR78.2m of rent that would have been invoiced under normal conditions during this period, EUR1.4m was not invoiced due to measures taken by the authorities.

In the final weeks of June, most of the restrictive measures in Poland and Romania were lifted and, accordingly, tenant claims and demands reduced substantially.

Prospects

Globalworth continues to approach the future with caution as the Covid-19 pandemic continues to evolve, focusing on actively managing its portfolio of standing properties and developments while respecting the regulations and recommendations issued by the World Health Organisation as well as national, regional and local governments, and adapting its operations accordingly. At the same time, Globalworth has a strong balance sheet which will allow it to take advantage of attractive opportunities should they become available in the future.

FUNDS MANAGEMENT

Overview

In 2015, as Growthpoint Properties increased its offshore investments to become an increasingly international property company, it also identified new opportunities in the business models followed by other leading international property companies.

Funds Management was one such opportunity and it enabled Growthpoint to access alternative investment opportunities and leverage its management strength in the unlisted and co-invested environment, where there is a differentiation from the company's core business. It was a fortuitous and well-timed move which we believe will prove to be a key area of growth in future.

Growthpoint's Funds Management model is premised on an efficient use of capital where it raises third-party funding for up to 80% of the capital in each fund and introduces gearing of approximately 40%. Growthpoint invests between 15% and 20% of the capital in each of the funds from which it earns distributions. Added to this, an asset management fee is paid on all assets owned by the fund, based on gross or net asset value, and it also earns property management fees from some funds.

Key criteria for establishing a specific fund include the potential to scale the opportunity and that its assets must be differentiated from Growthpoint's core South African portfolio investments in the office, retail and industrial property sectors. The intention is to create funds in niche asset classes which are scalable enough to attract institutional investor support.

The introduction of Growthpoint's Funds Management strategy has added depth to the real estate market for the broader investment community because SA REITs focus mainly on the three traditional property asset classes: office, retail and industrial. The undertaking has also allowed Growthpoint to further diversify its assets and harness opportunities to create sustainable value for its stakeholders.

Its first fund, GIAP, was launched in 2018, followed by the healthcare fund later the same year. Both responded to the capital available in the market and received keen interest from investors. Each fund will remain unlisted until reaching a meaningful size, in order to make an eventual public listing worthwhile.

Despite a slow start from a zero base, Growthpoint's Funds Management platform has gained strong momentum over the past year and now has around R13.7bn of assets under management. It is comfortably on track to meet its goal of having around R15bn of assets under management by 2023.

Performance

Growthpoint remains focused on building its first two funds to increase their size while creating new income streams from property. Backed by the management team, whose entrepreneurial vision and skills have made Growthpoint a leading international property company, progress in growing the funds is gaining momentum. The model of co-investment and co-management is proving effective and Growthpoint will continue to pursue innovative partnerships and ways of investing.

Prospects

Growthpoint remains committed to initiating other funds and expects to launch another in FY21. In addition, we still believe there are opportunities to be found in property classes such as student accommodation, education and retirement living. The timing of the launch of any new fund will be opportunity driven.

Growthpoint Investec African Properties (GIAP) as at 31 March 2020

Differentiator	Geography
Manager	Growthpoint Investec African Property Management (50/50 JV) MD: Thomas Reilly
Assets under management	USD638m
Net asset value	USD301m
Growthpoint holding	16.6% (an investment of USD50m or R750m)
Gearing	41% LTV
Major co-investors	SA and foreign pension funds
Asset management fees	2% of NAV
Income streams for Growthpoint	◆ Property investment returns ◆ Management company distributions

This year, GIAP built a quality portfolio of income-producing assets to attain a meaningful degree of scale and relevance and position itself as an emerging leader in the African real estate market.

The macro-economic headwinds faced by numerous countries across the African continent over the past few years, and particularly those involved in oil production, have caused rental levels in many markets to fall and asset prices to drop as a result. This has created highly attractive acquisition opportunities for GIAP.

With this as a backdrop, GIAP increased its investor numbers from six to 20, deployed its full equity raise and achieved significant growth. It successfully negotiated and concluded three significant transactions to end the year with 11 income-producing properties, eight of which are core.

GIAP also began an initiative to restructure the debt on its balance sheet in order to enhance the operational efficiency and returns of the business.

FUNDS MANAGEMENT continued

The diversified nature of GIAP across several jurisdictions and property sectors has proved valuable over this period, particularly in the light of the evolving nature of the Covid-19 pandemic. The countries in which GIAP is invested have all been impacted by Covid-19 at different times and all had different restrictions imposed by their governments.

Both Ghana and Nigeria imposed lockdowns in April 2020 that lasted between three and four weeks, during which time only services deemed essential were able to trade. After the lockdowns were relaxed towards the end of April, some semblance of normality returned to those markets. It is worth noting that Zambia did not impose any lockdown. GIAP's malls in Ghana and Nigeria are relatively small in their markets, and a disproportionately large component of their tenant bases provide "essential services". These include large anchor grocers, various telecoms operators and banks, all of which continued to trade. Thus, GIAP's assets are potentially better positioned to weather the storm than bigger competing properties.

GIAP's office assets, which make up most of the portfolio, also remained less affected by the pandemic. Many are tenanted by large international tenants, including large financial institutions, which remained mostly operational even though most either rotated office staff or allowed them to work remotely. Demand and enquiries for office space continued, resulting in successful leasing continuing even during the pandemic.

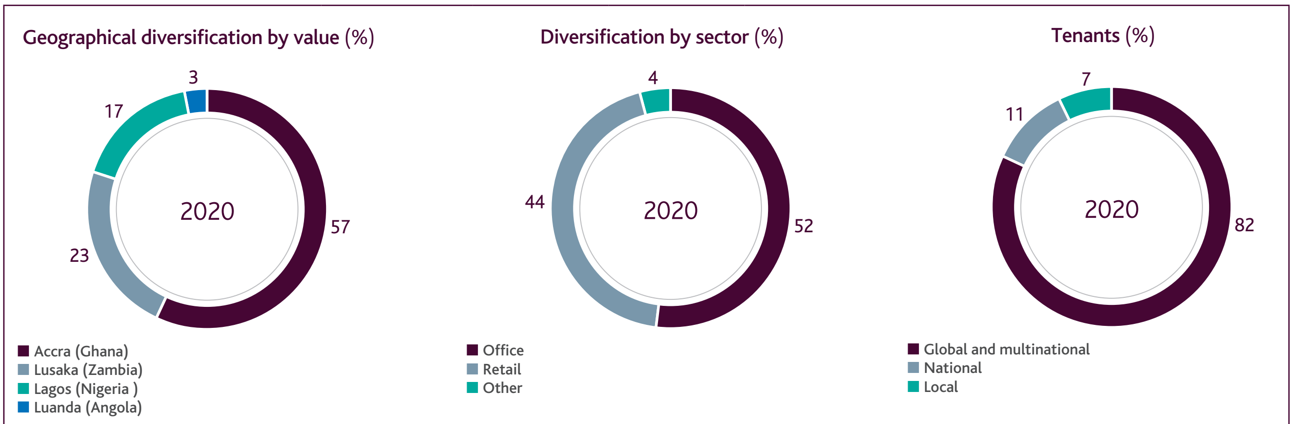
Continuing its momentum, a new equity raise is planned to grow and diversify GIAP. A follow-on transaction in Nigeria is in the process of being completed. Further growth and diversification of the fund will continue on a considered basis, with the aim of capitalising on the opportunities presented by a buyers' market.

Asset allocation

The GIAP investment strategy is centered on building a quality portfolio of prime, income-producing commercial assets in select cities across Africa. Investments are chosen to support long-term rental growth from top-tier tenants to generate sustainable investor returns.

82%	4.2 years	96%
Global and multinational tenants	Average lease expiry period	USD-denominated leases

Asset	Location	Sector	Size (m^2)	Description of tenancy
Achimota Retail Centre (97.5%)	Accra, Ghana	Retail	15 763	Anchored by Shoprite and Game
Junction Mall	Accra, Ghana	Retail	11 377	Key tenants: Shoprite and Decathlon
Stanbic Heights	Accra, Ghana	Office tower	20 126	Regional head office for large international corporates including Stanbic Bank, General Electric and Samsung
Accra Financial Centre	Accra, Ghana	Office tower	14 134	Head office for African Development Bank and First National Bank
Standard Chartered Building	Accra, Ghana	Office tower	12 235	Head office for Standard Chartered Bank
Manda Hill Shopping Centre	Lusaka, Zambia	Retail	40 762	Anchored by Shoprite, Game and Woolworths
Wings Office Complex	Lagos, Nigeria	Office	27 085	Multi-tenanted by several international tenants
Circle Mall	Lagos, Nigeria	Retail	13 870	Key tenants: Shoprite, PEP and Standard Chartered Bank



Deal flow

Developers of property across Africa are seeking ways to efficiently exit completed assets so that they can recycle and redeploy capital. This is providing deal flow for GIAP. Its investment capacity is expected to support the development of local African real estate markets and to contribute to the wide-ranging progressive impact which real estate can have in such markets.

Target

Liquidity for investors will be through a stock exchange listing, once the fund has USD750m in NAV.

FY20 contribution to Growthpoint

GIAP's first distribution to shareholders is expected to take place in FY21.

Growthpoint Healthcare Property Holdings (GHPH)

Differentiator	Asset class
Manager	Growthpoint Management Services Fund Manager: Dr Linda Sigaba
Assets under management	R2.62bn
Net asset value	R2.64bn
Growthpoint holding	61.8%
Gearing	1.7%
Major co-investors	Pension funds
Asset management fees	1.25% of GAV
Property management fees	1.5% of gross collections
Income streams for Growthpoint	◆ Property investment returns ◆ Management company distributions ◆ Property management fees

GHPH continued to demonstrate pleasing growth and good demand, based on the defensive nature of the healthcare sector. It successfully completed the 52-bed expansion of Busamed Hillcrest Private Hospital in January 2020.

The Fund's property portfolio continued to be curated to include a diversity of both healthcare properties and operators, who currently include Netcare, Busamed and Mediclinic. We are receiving enthusiastic interest from strong regional healthcare operators and remain in discussions with them. We continue to engage with the big-three national operators as we believe long-term opportunities can be unlocked with them.

In January, Kagiso Capital invested a further R288m in the Fund and it now owns 15% of the issued share capital.

GHPH is also negotiating with International Finance Corporation (IFC) the terms of its proposed investment in the Fund, and has signed an initial agreement with IFC for a R1.2bn (USD80m) equity and convertible debt package to finance the development and acquisition of properties for GHPH. We anticipate that this agreement will be finalised in the last quarter of 2020.

Healthcare and property are defensive asset classes that traditionally tend to perform well even during economic downturns. However, the unprecedented nature of the Covid-19 pandemic has had a devastating impact on the South African economy, not sparing any asset class, including the property and healthcare industries. As an initial response to the pandemic, a hard lockdown was imposed in March 2020 and all elective surgeries in South Africa were stopped to prepare the country's healthcare facilities for the expected surge in Covid-19 admissions. This had a severe impact on the tenants of the healthcare fund and on their ability to meet operating cost obligations as the number of theatre cases, occupancies and revenues dropped significantly. However, the industry expects surgical cases and occupancies to gradually increase as the country continues to move to lower lockdown levels over the coming months.

The pandemic also delayed the acquisition by GHPH of 51% of the 100-bed Busamed Paardevlei Private Hospital property in Somerset West, which will add another mature asset to our portfolio when the transaction proceeds in FY21, and extends the great relationship we have built with this innovative operator.

Construction of the Cintocare Head and Neck Private Hospital in Pretoria was delayed because of the Covid-19 lockdown and its opening has been rescheduled for January 2021. Even so, the specialised surgical hospital development by Growthpoint and Cintocare became the first healthcare property on the African continent to be awarded a 5-Star Green Design certification customised for healthcare by the GBCSA. We will be proud to take ownership of this clinical centre of excellence on its completion.

FUNDS MANAGEMENT continued

The first half of FY21 is certainly going to be difficult, but the duration and degree of the challenges are as yet unknown. Depending on progress in combating Covid-19, the number of elective surgeries performed could remain low and actually even decrease further.

In a market with liquidity constraints, GHPH is in the advantageous position of having capital to deploy, thanks to the IFC's upcoming investment, and will be seeking suitable assets to acquire. Greenfield developments are a riskier way of growing our portfolio and as such, we only consider growth through development hand-in-hand with strong tenants. Acquiring mature healthcare assets carries a lower risk and is preferable for our growth.

The fund also enjoys the benefit of having debt head room. That said, we remain on a capital raising trail and are engaging actively with pension funds, asset consultants, family offices, development finance institutions and fund managers to attract more investors to GHPH. Despite the impact of Covid-19 on the property and healthcare sectors, we remain bullish about expanding the fund.

The pandemic has highlighted critical gaps in South Africa's healthcare sector, and we believe we could play a role in closing them. An overcapacity of acute beds, especially low-acuity beds, has been revealed in some markets, specifically in the Durban, Pietermaritzburg, Johannesburg and Pretoria areas, and there is potential to develop specialist healthcare facilities in these regions. In other markets, there is a need for more private sector hospital beds and healthcare facilities. This applies to some regions of the Western and Eastern Cape, as well as the smaller provinces. Here, shortages apply to acute hospitals and day hospitals as well as laboratory facilities and pharmaceutical manufacturing, warehousing and logistics properties.

The fund has lined up a mix of acquisitions and development projects for completion in FY21.

Asset allocation

GHPH is the first unlisted healthcare fund to invest exclusively in healthcare property assets in South Africa. The investment mandate is to acquire and develop acute, day and specialist hospitals as well as laboratories and manufacturing and warehousing facilities.

Portfolio

GHPH has five healthcare assets, comprising four hospitals and one medical chamber building. The fund's assets are characterised by long leases, with hospitals and clinics generally being long-standing landmarks in their communities. Three of the hospitals have consistently been on Discovery Health's annual list of leading South African hospitals, as rated by their patients.

Our hospital assets are:

- Netcare N1 City Hospital & Medical Chambers
- Mediclinic Louis Leipoldt Hospital
- Busamed Gateway Hospital
- Busamed Hillcrest Hospital

Deal flow

Many healthcare operators, particularly newer or smaller ones, are seeking to grow. This trend is expected to provide deal flow for the GHPH specialised investment vehicle. In the medium to long term, the creation of this healthcare-focused property company will provide established hospital operators with a credible platform on which to sell and lease back some of their property assets to manage their balance sheets more efficiently. This is consistent with models followed by hospital groups globally.

Target

Liquidity for investors will be through a stock exchange listing, which is anticipated once the Fund has R10bn in assets.

FY20 contribution to Growthpoint

Due to the negative effects of the pandemic, the dividends that Growthpoint received from GHPH in FY20 were lower than initially expected. The fund delivered DPS growth of 5.8% and DPS of 77.45 cents (FY19: 73.3 cents). With Kagiso's investment, Growthpoint's stake in GHPH also reduced, from 72.9% to 61.8%.


Offices
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GOVERNANCE

The Board and Executive Management strive to create maximum shared value through ensuring the relevance and sustainability of the business model, by monitoring and responding to the macro environment, the availability of capital inputs and stakeholder needs, all of which informs the strategy. This strategy enables the company to manage its business effectively, consistently delivering on targets while being underpinned by good governance.

CORPORATE GOVERNANCE

The Growthpoint Properties Limited Board of Directors (the Board) has the responsibility of leading the company with integrity.

In a very uncertain and unstable environment with increased regulatory and financial pressures due to business failures, the company acknowledges the need to retain a balance between delivering on the expectations of shareholders, regulators and other stakeholders and the need to ensure a sustainable business.

Our governance philosophy is based on and aligned to the King IV Report on Corporate Governance for South Africa (King IV) foundation concepts of ethical leadership, corporate citizenship, sustainable development, shareholder inclusivity, integrated thinking and reporting, and protecting value. Governance criteria advocated by institutional investors are also considered and applied where they have merit and are in the company's best interest. These include the Code for Responsible Investment in South Africa (CRISA).

Creating value with good corporate governance

By upholding the highest possible corporate governance standards, Growthpoint gives all its stakeholders confidence that it is a well-governed and well-conducted business.

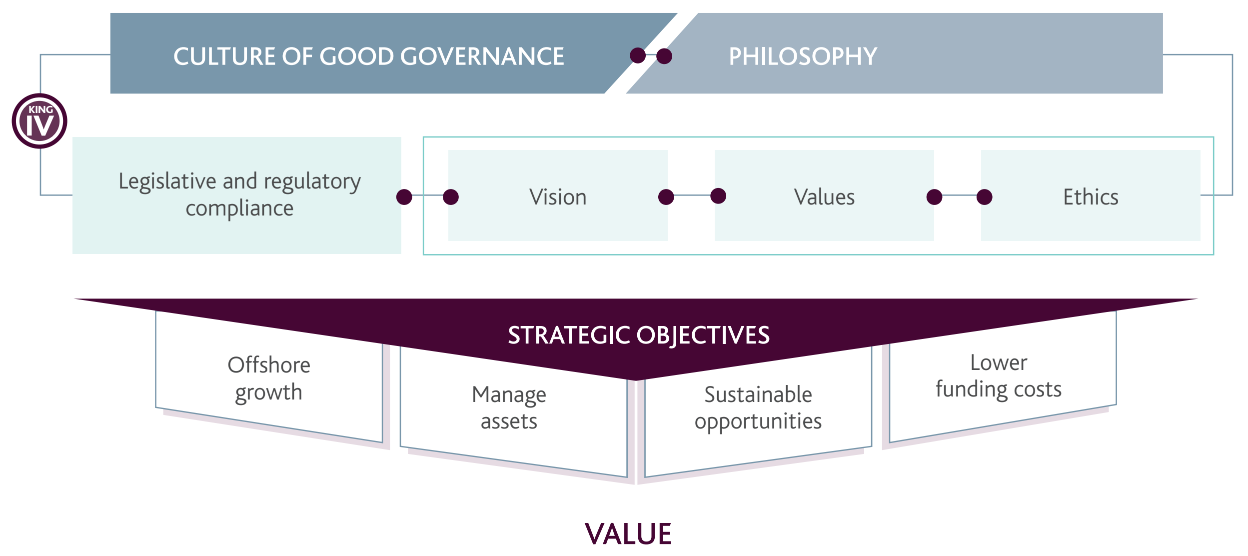
Sound corporate governance practices are implicit in our values, culture and processes, and our internal controls promote an awareness of risk, compliance and good governance in every area of the business. Good governance is entrenched in our day-to-day activities. By ensuring that our structured governance frameworks are firmly in place, and that all the practical details of the different governance processes are incorporated, the Board can focus on the business and make well-informed decisions that are in the company's best interests.

Our good governance standards are reflected in Growthpoint's track record of consistent performance over the past 16 years, which assures our stakeholders of our predictability, accountability, transparency and sustainability.

Growthpoint has the advantage of a stable management team although the Board has seen some significant changes over the last 12 months as it was rejuvenated. We are confident that the Board has both the appropriate balance of knowledge, skills and experience and the independence required for objective and effective governance. These criteria are assessed separately and addressed in more detail in the report.

The Board considers its current composition to be suited to the company's business. The process to

VALUE CREATION AT THE HEART OF INTEGRATED THINKING



rejuvenate the Board commenced during 2019 with an independent skills profiling and assessment process, to enable proper succession planning. This has helped Growthpoint to ensure that the skillsets of newly appointed directors are complementary to those of the current directors and the skills gaps have been addressed to a great extent.

We have several longer-serving Directors who, because of their experience and insight, make a particularly robust contribution to management accountability. We value their inputs and their independent judgement and want to ensure that this depth of skill and knowledge is retained on the Board as it is refreshed.

Nevertheless, the Board has resolved that to ensure independence, a tenure policy will ultimately see Non-executive Directors have a fixed 12-year term, irrespective of whether their elected term has run its course. If requested by shareholders, a Non-executive Director's tenure could be extended beyond this, but they would be required to resign at each subsequent annual general meeting (AGM) and be re-appointed.

It was further recommended that Non-executive Directors on the Board should not hold more than four directorships, including Growthpoint.

The Chairman of the Board is limited to four directorships of which two can be chairman positions, including the Growthpoint chairman position.
The reason for these restrictions is that the individual directors need to ensure that they have the necessary capacity to prepare adequately for meetings and attend all Board and committee meetings.

Growthpoint executives are not permitted to serve on external boards. Any exceptions are subject to the discretion of the Board.

In FY20, the Board conducted its annual independence assessment of the Non-executive Directors via an independent consultant who oversaw the process and confirmed its integrity.

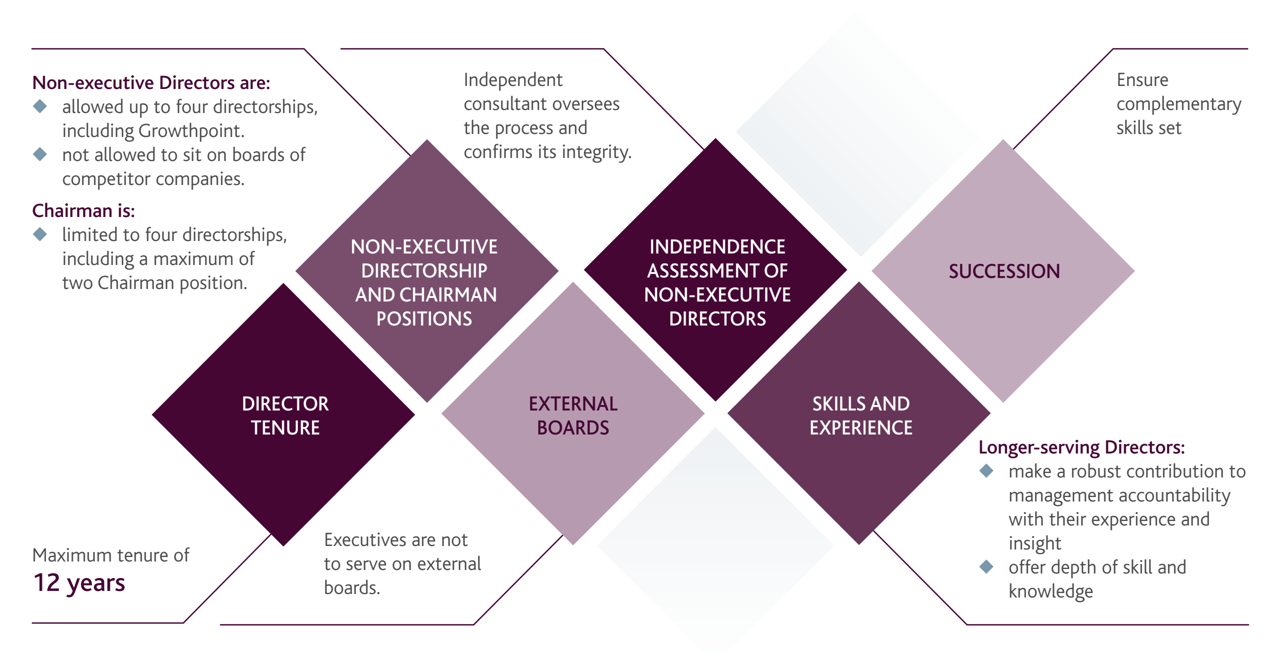
Philosophy

The creation of value is at the heart of integrated thinking and, therefore, governance in Growthpoint extends beyond legislative and regulatory compliance. Management strives to foster an enterprise-wide culture of good governance linked to the Group's business philosophy, which incorporates our vision, values and ethics. The Board and management subscribe to the philosophy that corporate governance, built on an ethical and values-based foundation, permeates through all business activities and enables the company to achieve its strategic objectives.

The company has remained compliant with the Companies Act, No 71 of 2008, as amended (the Act). Company statutes, the Board Charter and the terms of reference of Board committees are aligned with relevant provisions of the Act and King IV.

Effective governance structures and processes ensure that proper supervisory oversight is exercised at all levels in the organisation.

INDEPENDENT SKILLS PROFILING AND ASSESSMENT PROCESS

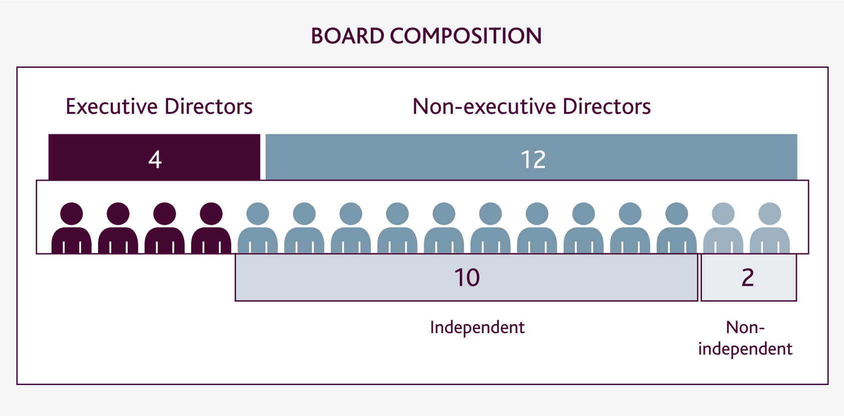


2020 corporate governance assessment

The company has completed its annual corporate governance self-assessment by applying an accredited governance assessment tool, with a satisfactory outcome. The full register of the company's application of the King IV principles can be found on the company's website **www.growthpoint.co.za**.

The Board of Directors

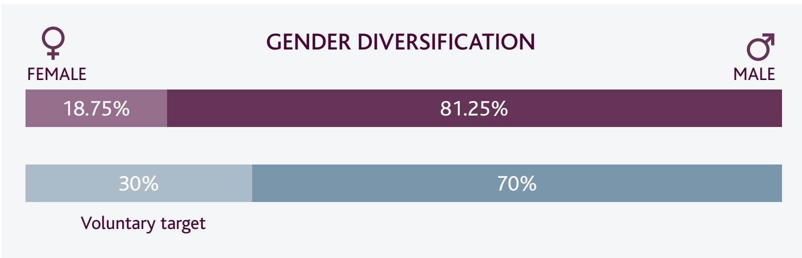
As at the date of issue of this report, Growthpoint had a unitary Board comprising 16 Directors in total: four Executive Directors and 12 Non-executive Directors, 10 of whom are regarded by the Board as independent.



The Board started the process of rejuvenation in 2019, as a result of which Mr FM Berkeley, and Mr JA van Wyk (Independent Non-executive Directors) were invited to join the Board, and in 2020 Mr R Gasant was also appointed as an Independent Non-executive Director. On 21 September 2020 the Board appointed Mrs KP Lebina and Mr AH Sangqu. The appointment of Mr Gasant, Mrs Lebina and Mr Sangqu are subject to shareholder approval, by way of an ordinary resolution, at the AGM.

The Board provides strategic direction and leadership, promotes shareholder value and enhances the sustainability of the business, to the benefit of the company and all its stakeholders. To ensure that they act with independence of mind and integrity, Directors are required to abide by Growthpoint's Code of Ethics and policies promoting ethical behaviour.

The Board has adopted a Board-level gender diversification policy with a voluntary 30% target for female representation, including black women. (Currently, the 3 female directors represent 18.75% of the total number of directors.)



The Board Charter includes a policy statement on racial diversification, in terms of which the Board will strive to meet legislated and/or regulated employment equity targets applicable from time to time, at Board level.

The Directors declare their financial interests at each Board meeting where applicable as well as annually, as per the Act. Directors' interests in the company's shares as at 30 June 2020 are set out in the AFS note 23 (related-party transactions).

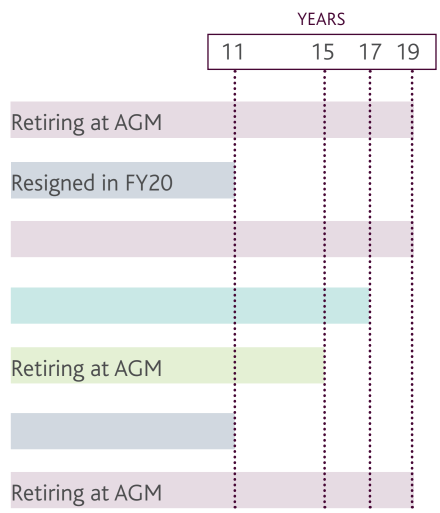
Notwithstanding the finding that two Non-executive Directors are considered to be non-independent, the Board has concluded that they nonetheless act and exercise their minds independently in their roles on the Board and respective committees.

The expertise and business experience of each of the executive and Non-executive Directors enable them individually, and as a Board, to evaluate strategy, assess the company's performance and act in Growthpoint's best interests.

Non-executive Directors have unrestricted access to company information and members of management as well as the Executive Directors. To help them fulfil their responsibilities effectively, Non-executive Directors may also seek independent professional advice, paid for by the company. The Audit Committee provides, as a standing item on the agenda of regular meetings, for combined or separate closed sessions with management, the external auditor and the internal auditor.

Directors with tenures of more than nine years as at 30 June 2020

Name of director	Year of appointment	Status	Number of years in service
MG Diliza*	2001	N-I	**19 years**
LA Finlay	2009	IND	**11 years**
JC Hayward	2001	IND	**19 years**
JF Marais**	2003	N-I	**17 years**
R Moonsamy	2005	IND	**15 years**
NBP Nkabinde	2009	IND	**11 years**
FJ Visser	2001	IND	**19 years**



* *B-BBEE partnership.*

** *Partner of Glyn Marais Inc. which provides various legal services to the Group.*

N-I *Non-independent.*

IND *Independent.*

GOZ

GOZ reports to Growthpoint's Risk Management Committee annually on the applicability of the King IV principles to its governance policy, as well as additional parameters required by Australian law. GOZ's governance conforms to or exceeds the principles of King IV.

Growthpoint directors hold positions on GOZ's Board and committees as follows:

- **Board:** LN Sasse, EK de Klerk and JF Marais
- **Audit, Risk and Compliance Committee:** EK de Klerk
- **Nomination, Remuneration and HR Committee:** LN Sasse (Chairman) and JF Marais.

C&R

C&R is listed in the United Kingdom and complies with related legal prescripts.

Growthpoint directors and officers hold positions on C&R Board and committees, as follows:

- **Board:** LN Sasse, and G Muchanya
  Audit Committee: G Muchanya.
  Attendance by LN Sasse as an observer

Re-election of directors and new appointments

One-third or nearest that number of the Non-executive Directors are subject to retirement by rotation and possible re-election by shareholders at the AGM each year.

Directors who retire by rotation or otherwise at AGMs are those who have been in office longest since their last re-election and those appointed by the Board since the previous AGM. Retiring directors are named in the directors' report and AGM notice included with the notice and proxy of AGM and summarised AFS. The Board, through the Governance and Nomination Committee, recommends (or not, as the case might be), retiring Non-executive Directors for re-election or election at the AGM.

Appointments of new directors are considered by the Board on the recommendation of the Governance and Nomination Committee. New directors are adequately informed about Growthpoint's business and policies, as well as meeting dates and procedures during the induction sessions. All directors receive the Board Charter as part of this induction and once a year the Charter is reviewed at the relevant Board meeting.

Executive Directors are, in terms of Growthpoint's Memorandum of Incorporation (MOI), not subject to retirement by rotation at the AGM. This is in line with recommended best practice for South African-listed companies and is supported by the JSE.

Attendance at meetings

The Board meets quarterly and on an *ad hoc* basis if required. The quorum requirements of Growthpoint's MOI are always considered when scheduled or special meetings are convened. Due regard is given to recusal of directors where conflicts of interest or related-party situations exist or could arise.

Details of attendance at Board and committee meetings in FY20 are set out below. Board members are encouraged to serve on at least two Board committees.

Four scheduled and four special Board meetings were held during FY20. In all cases where directors or committee members were unable to attend a meeting, the Board or respective committee accepted their leave of absence.

	Board	Governance and Nomination Committee	Audit Committee	Risk Management Committee	Property and Investment Committee	Social, Ethics and Transformation Committee	Human Resources and Remuneration Committee
JF Marais	8/8	3/3		3/4*		1/4*	4/4
FM Berkeley[3]	7/7	1/1	5/5		4/4		4/4
NO Chauke	6/8			3/4*		4/4*	4/4*
EK de Klerk	8/8	2/2	4/5*		4/4*	4/4*	4/4*
MG Diliza	7/8	3/3			4/4	4/4	
PH Fechter[2]	4/4	2/2			2/2		
LA Finlay[5]	8/8	3/3	5/5		4/4	4/4	
R Gasant[4]	2/2		1/1				
JC Hayward	8/8	3/3	3/3	4/4			2/2
SP Mngconkola	8/8			4/4		4/4	
R Moonsamy	8/8				3/4	4/4	
NBP Nkabinde	8/8			4/4		4/4	
LN Sasse	7/8	3/3*		4/4*	4/4*		4/4*
N Siyotula[1]	3/3		1/2				1/2
CFM Teixeira	1/1**						
JA van Wyk[3]	7/7		2/2	4/4	4/4		
FJ Visser	7/8	2/3		4/4			4/4
G Völkel	8/8		4/5*	4/4*	4/4*	4/4*	

* *Standing invitation.*
** *Mrs Teixeira chose to resign prior to the confirmation of her appointment at the AGM.*
(1) *Mrs N Siyotula resigned from the Board on 12 November 2019*
(2) *Mr P Fechter retired from the Board on 12 November 2019*
(3) *Messrs JA van Wyk and FM Berkeley were appointed to the Board on 10 September 2019*
(4) *Mr R Gasant was appointed to the Board on 1 June 2020*
(5) *Mrs LA Finlay resigned from the Board on 7 July 2020*

Dealings in the company's shares

In terms of both Group policy and the Listings Requirements of the JSE Limited, directors of both the Group and its major subsidiaries, as well as directors' associates, Exco members and the Company Secretary must obtain a prior written clearance from the Group CEO and/or Chairman if they intend to deal in Growthpoint shares, whether directly or indirectly. All the directors have signed a letter of undertaking in this regard. This policy also applies to certain other members of senior management who are from time to time privy to price-sensitive information.

Closed periods are imposed on directors and staff in relation to interim and annual financial results and from time to time in respect of specific corporate actions.

Each share entitles the shareholder to one vote. There are no non-voting shares.

Directors' remuneration

Directors' remuneration is subject to annual review by the Human Resources and Remuneration Committee (Remco) and subsequent approval by the Board of the proposed fees to be submitted for approval at the AGM. The fees for FY20 were approved at the AGM held on 12 November 2019.

At its meeting on 1 June 2020, Remco recommended a 0% increase in Non-executive Directors' remuneration for FY21 to the Board considering the current environment and the impact of Covid-19 on the business. This recommendation was approved by the Board on 9 June 2020.

Shareholders will be asked to approve, by way of non-binding votes, the company's overall remuneration policy and implementation for FY21. The remuneration report containing this information is included in this section of this report.

Directors' remuneration is disclosed in the AFS in line with the Listings Requirements of the JSE Limited. The key performance aspects linked to the remuneration of Executive Directors are described in the remuneration report.

The Chairman

Mr Francois Marais
Non-executive Director

The roles of the Chairman of the Board and the Group CEO are separate, and they operate independently of each other.

The Chairman, Mr JF Marais, is a Non-executive Director. His responsibilities are contained in, but are not limited to, the Chairman's Charter. They include:

- Providing overall leadership to the Board and its committees
- Leading and managing the business of the Board, without limiting the Board's collective responsibility
- Serving as the link between the Board and the management of Growthpoint
- With Remco's involvement, assessing the performance of the Group CEO
- In liaison with the Group CEO, evaluating the performance of the other Executive Directors at least annually.

Board responsibilities and accountability

The Board is guided in all matters by the Board Charter, which sets out its responsibilities.

These include:

- Governing, directing and monitoring the performance of the business as a going concern and presiding over material business decisions
- Approving the company's strategic plans and objectives
- Managing risks to the business, mainly through the Risk Management and Audit Committees
- Providing direction to management.

The Board (either itself or through the Governance and Nomination Committee) periodically reviews its composition relative to the skills, knowledge and experience needed to provide strategic direction and leadership, as well as representation in terms of gender and race.

The Non-executive Directors are independent of management and are free from relationships that could affect their judgement as directors. The Board is accountable to the company but is also always cognisant of stakeholder expectations and interests. In its decision making, the Board adopts a collaborative approach to governance.

In July 2020, the Board, along with Remco and the Audit, Property and Investment, Risk Management and Social, Ethics and Transformation Committees, conducted a formal self-assessment process. The overall outcome was positive and feedback was provided to the Board and the respective committees at their meetings held in August/September 2020.

Code of Ethics and business conduct

The Code of Ethics aims to ensure that Growthpoint conducts its business in line with the highest ethical standards.

The code seeks in particular to ensure compliance with relevant legislation and regulation in a manner that is beyond reproach.

The code is available to employees and other stakeholders, as are Growthpoint's mission and value statements.

GOVERNANCE STRUCTURES

1. POLICIES PROMOTING ETHICAL CONDUCT — Refer to page 121 for more information
2. COMPLIANCE FRAMEWORK — Refer to page 121 for more information
3. INTERNAL AUDIT — Refer to page 121 for more information
4. EXTERNAL AUDIT — Refer to page 121 for more information
5. BOARD COMMITTEES — Refer to page 122 for more information
6. EXECUTIVE MANAGEMENT COMMITTEES — Refer to page 129 for more information

1 Policies promoting ethical conduct

Growthpoint has various policies in place to promote and instill ethical behaviour and integrity among management and employees.

COMPANY'S MISSION AND VISION STATEMENT

WHISTLE-BLOWING AND PROTECTED DISCLOSURE POLICY

EMPLOYEE INTEGRITY POLICY

ANTI-CORRUPTION AND GIFT DECLARATION POLICY

SUBSTANCE ABUSE AND SEXUAL HARASSMENT POLICIES

To encourage employee compliance with policies and standards of best practice

Forbidding these practices in the organisation

Growthpoint has a **whistle-blowing policy** that allows one to raise concerns about malpractice without fear of victimisation or reprisal.

(If you suspect underhanded deals, theft, sexism, racism or ageism, report it!)

Any whistle-blower will remain anonymous!

0800 167 463

GROWTHPOINT PROPERTIES

CODE OF ETHICS

The Group has in place a formal mandatory authorisation process for dealings in the company's shares, as well as official policies and procedures for accepting and giving gifts and inducements, for the disclosure of conflicts of interest and for anti-corruption, and formal levels of authority and delegated signing authorities for business transactions.

2 Compliance framework

STATUTORY AND REGULATORY	ACCOUNTING STANDARDS AND FINANCIAL REPORTING REQUIREMENTS	COMPANIES ACT AND JSE LISTINGS REQUIREMENTS
A standing item on every agenda for the **Risk Management Committee**	Overseen by the **Audit Committee**	Responsibility of the **Company Secretary**

Compliance with accounting standards and financial reporting requirements

The Board receives feedback quarterly from the chairs of all Board committees, in addition to the minutes of all the committee meetings.

During FY20, Growthpoint had no incidents of major non-compliance, or fines or prosecutions linked, for example, to anti-competitive practices or other governance and economic issues.

3 Internal audit

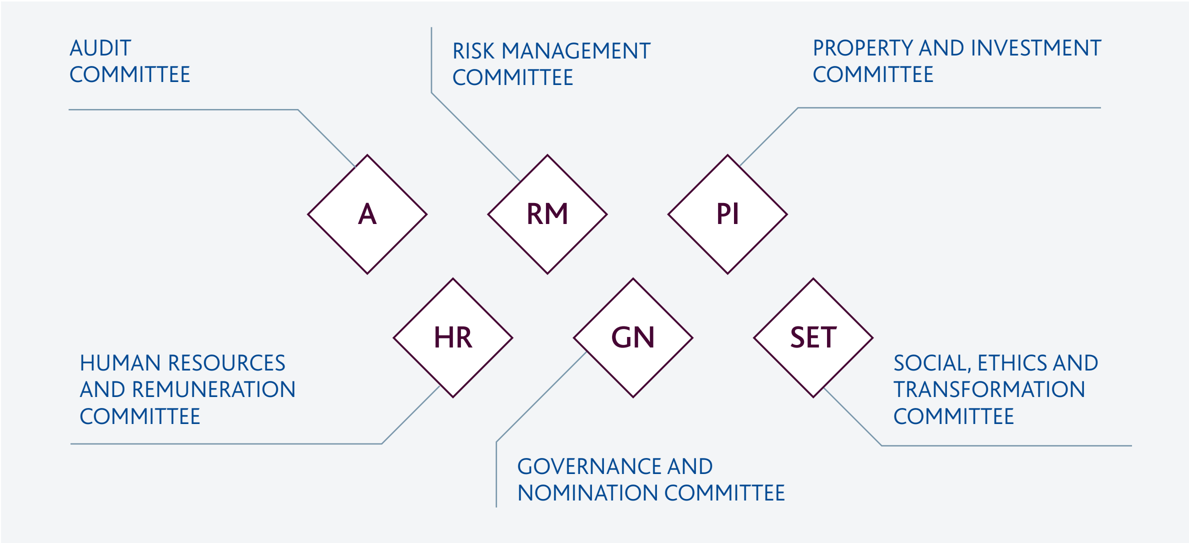
The internal audit function, excluding the internal audit of IT, is provided in-house by the Head of Internal Audit and Risk Management. The scope and functions of Internal Audit are covered in the related section of this report.

4 External audit

EY acted as the external auditor for Growthpoint and its subsidiaries excluding C&R for FY20. The independence of the external auditor is reviewed every year by the Audit Committee with the auditor. The external auditor attends all Audit Committee and Risk Management Committee meetings and has unrestricted access to the chairmen of both committees.

5 Board committees

The committees established by the Board assist it in the discharge of its duties and the overall governance of the organisation.



The Board committees have unrestricted access to company information and any resources required to help them fulfil their responsibilities, including professional advice paid for by the company.

Every Board committee has Board-approved Terms of Reference which are reviewed annually and aligned, as far as applicable and possible, with King IV, the Listings Requirements of the JSE Limited and the Companies Act.

The Board determines and amends, as necessary, the scope and responsibilities of the committees, as well as the appointment of new committee members.

To promote sound corporate governance and optimise the sharing of information, the Executive Directors and other senior executives are present at Board committee meetings whether *ad hoc* or by standing invitation.

All the committees have satisfied themselves that they have fulfilled their responsibilities in accordance with their Terms of Reference during FY20.

Rhidwaan Gasant
Chairman

Independent Non-executive Directors

MEETINGS

The committee has five scheduled meetings a year with one session dedicated to the review of the company's IAR.

Present at meetings by standing invitation:

- CEO: RSA
- Group FD
- COO: RSA
- CFO: RSA
- Head of Internal Audit and Risk Management
- External auditor

The expertise of the members of the Audit Committee is reflected on pages 22 to 24 of this report.

AUDIT COMMITTEE

A

This committee maintains an effective working relationship with the Board, management and other Board committees, notably the Risk Management Committee, whose minutes are noted at Audit Committee meetings. This ensures that risk management controls and the status of specific risk issues dealt with by the Risk Management Committee are noted.

To assist the Board in its supervisory and governance responsibilities, this committee ensures that:

- Adequate processes are in place to safeguard the company's assets
- Proper accounting records are maintained
- The design effectiveness of internal controls is reviewed and that effective systems of internal control are maintained
- An open channel of communication is maintained between directors, management and accounting staff, as well as both internal and external auditors
- Financial information is reviewed at least quarterly
- The AFS are reviewed before they are recommended to the Board for approval
- An external auditor is appointed at all times
- The scope for each external audit is determined

This committee also reviews and sets the annual external auditor's fees.

The Audit Committee is satisfied that the external auditor is independent and that the FY20 audit has been carried out without any restriction of the audit's scope.

KEY FOCUS AREAS FOR THIS COMMITTEE DURING FY20 HAVE BEEN:

- The consideration of information detailed in paragraph 22.15(h) of the Listings Requirements of the JSE Limited from the audit firm in their assessment of the suitability of appointment
- The treatment of maintenance expenditure and review of the capital expenditure accounting policy
- Controls around the valuation of investment property
- The compilation of a "tax risk and compliance reports" that includes local and foreign companies in which Growthpoint has invested
- Obtaining more detail on financial reporting by subsidiaries
- The consideration of the committee's composition and skillset, the independence of its members or their ability to act independently, and the succession of those facing retirement in the foreseeable future

This committee satisfies itself annually as to the expertise, resources and experience of the company's finance function and the suitability of the Group Financial Director.

The report of the Audit Committee to shareholders on how it carried out its obligations is presented in the AFS.

John Hayward
Chairman

1 2 3 4 5

Independent Non-executive Directors

MEETINGS

This committee, which meets at least quarterly, oversees management compliance with risk management policies and procedures and reviews the adequacy of the risk management framework relative to whatever risks and opportunities have been identified.

Present at meetings by standing invitation:

- Board's Chairman
- Group CEO
- CEO: RSA
- Group FD
- COO: RSA
- CFO: RSA
- Group Treasurer
- Head of Internal Audit and Risk Management
- Human Resources Director
- Group Legal Counsel
- Chief Information Officer
- External auditor

The expertise of the members of the Risk Management Committee is reflected on pages 22 to 24 of this report.

RISK MANAGEMENT COMMITTEE

RM

The Risk Management Committee is assisted by Internal Audit and Risk Management for its reviews of risk management controls and procedures. The Risk Management Committee reports quarterly to the Board.

The main objective of this committee is to protect the quality, integrity and reliability of the Group's risk management by:

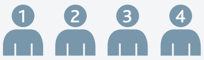
- Assisting the Board in matters of corporate accountability and associated risks
- Ensuring that risk policies and strategies are effectively managed
- Monitoring external developments that could affect corporate accountability
- Reviewing and assessing the integrity of risk control systems
- Defining risk management policies and the risk management function, as well as the scope of enterprise risk management (ERM)
- Ensuring the independent and objective oversight and review of information provided by management on corporate accountability and associated risks

KEY FOCUS AREA FOR THIS COMMITTEE DURING FY20 HAS BEEN:

- Monitoring progress concerning the implementation of a new IT operating system for the business, as reported by the independent Chairman of the IT Steering Committee. The IT Steering Committee forms part of a formal governance framework set up to ensure that there is equitable oversight in place for ITC-related matters

Risk management is further covered in the risk management section of this report.

Frank Berkeley
Chairman



Non-executive Directors

MEETINGS

This committee meets at least quarterly.

Present at meetings by standing invitation:

- Group CEO
- CEO: RSA
- Group FD
- COO: RSA
- CFO: RSA
- CDIO
- Heads of Asset Management
- Management Accountant

The expertise of the members of the Property and Investment Committee is reflected on pages 22 to 24 of this report.

PROPERTY AND INVESTMENT COMMITTEE

PI

It assists the Board with decisions regarding Growthpoint's property portfolio, as well as the review and approval of property budgets and valuations.

Its role is to:

- Consider and decide on proposed acquisitions and disposals in terms of the levels of authority
- Discuss and decide on proposed capital expenditure
- Periodically review due diligence processes for acquisitions
- Review and make recommendations to the Board regarding Growthpoint's annual budgets, including capital expenditure budgets
- Provide a high-level review of bi-annual property valuations before their submission to the Board and Audit Committee
- Periodically review and assess the company's approach to investment in physical property assets and letting enterprises

KEY FOCUS AREAS FOR THIS COMMITTEE DURING FY20 HAVE BEEN:

- The company's investment and development guidelines for property trading and development
- Internationalisation and potential new acquisitions off-shore
- Challenges facing the property industry in the current economic climate

Eric Visser
Chairman

Board's Chairman and three Independent Non-executive Directors

MEETINGS

This committee meets at least quarterly.

Present at meetings by standing invitation:

- Group CEO
- CEO: RSA
- Human Resources Director
- Head Investor Relations

The expertise of the members of the Human Resources and Remuneration Committee is reflected on pages 22 to 24 of this report.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

HR

This committee assists the Board by ensuring that:

- Formal and transparent policies and procedures for executive and senior management remuneration are established and maintained
- Remuneration for executive directors, senior management and staff (including incentives, grants and other benefits) is set at the correct level to attract and retain people of the required calibre.

This committee furthermore helps determine the key components of remuneration and performance review criteria for executive directors and senior management. To this end, the committee:

- Determines specific remuneration packages for executive directors of the company, taking into account relevant benchmarking
- Periodically reviews the terms and conditions of the executive directors' service agreements
- Determines the criteria for measuring the performance of executive directors and linking this to remuneration
- Approves proposed allocations to eligible participants in the company's staff incentive scheme
- Establishes remuneration credibility with shareholders and other stakeholders
- Make recommendations to the Board regarding the remuneration of Non-executive Directors, which is benchmarked periodically
- Coordinates its activities with those of the Chairman of the Board and Group CEO, and consults them both when formulating remuneration policy and when determining specific remuneration packages
- Reviews and approves the succession plan for executive management, which is actively monitored by the Risk Management Committee

KEY FOCUS AREAS FOR THIS COMMITTEE DURING FY20 HAVE BEEN:

- The restructuring of executive remuneration
- Succession planning
- Workforce transformation
- Reporting on remuneration policy and implementation
- The engagement of major shareholders on executive remuneration structuring

This committee is satisfied that it has fulfilled its responsibilities during FY20 under its Terms of Reference.

Francois Marais
Chairman

1 2 3 4 5

Board Chairman (who is also the committee Chairman) and the chairmen of all the other Board committees

MEETINGS

This committee meets at least quarterly.

Present at meetings by standing invitation:

- Group CEO
- CEO: RSA

The expertise of the members of the Governance and Nomination Committee is reflected on pages 22 to 24 of this report.

GOVERNANCE AND NOMINATION COMMITTEE

GN

The committee was established to review and monitor the adequacy, efficiency and appropriateness of the corporate governance structure and practices ensuring compliance with relevant legislation. The committee shall also independently review and monitor the integrity of the company's Non-executive Director nomination and appointment processes.

This committee is responsible for:

- Making recommendations to the Board on Non-executive and Executive Director appointments as well as the Board's composition as a whole, after identifying and screening candidates for Board approval and appointment
- Reviewing and making recommendations on the Board's structure and size as well as the balance between Executive and Non-executive Directors
- Succession planning for the Chairman
- Alerting the Board to governance matters which the committee chairmen or their committees feel need to be raised with the Board
- Alerting the Group CEO to any governance matters or emerging issues that are sensitive
- Discussion of aspects of governance that might require attention from time to time

KEY FOCUS AREA FOR THIS COMMITTEE DURING FY20 HAS BEEN:

This committee met three times in FY20 to discuss the composition of the Board and Board committees as well as the appointment of new Non-executive Directors.

Mzoli Diliza
Chairman

Non-executive Directors

The majority of whom are independent.

MEETINGS
This committee meets four times a year.

Present at meetings by standing invitation:
- Chairman of the Board
- CEO: RSA
- Group FD
- Human Resources Director
- Head of Corporate Social Responsibility
- National Procurement Manager
- Office Development Head

The expertise of the members of the Social, Ethics and Transformation Committee is reflected on pages 22 to 24 of this report.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

SET

This committee's scope includes the statutory duties of a social and ethics committee in accordance with the Act.

Besides its statutory duties, it evaluates, monitors and makes recommendations to the Board regarding:
- Broad-based black economic empowerment initiatives and opportunities under the Property Sector Transformation Charter
- Enterprise development and related training initiatives
- The company's B-BBEE equity ownership arrangements, funding structures and, from time to time, potential new B-BBEE equity ownership participants
- Corporate social responsibility initiatives and investments and their respective annual budgets
- The company's preferential procurement spend
- Employment equity
- Periodic reviews of Growthpoint's transformation philosophy and strategy
- Environmental, social and governance matters, including carbon emissions and climate change

KEY FOCUS AREAS FOR THIS COMMITTEE DURING FY20 HAVE BEEN:
- Growthpoint GEMS, a bursary scheme for children of employees in the lower-earning categories
- Corporate social investment initiatives and transformation, which are more fully reported on in the relevant sections of this report

Executive Management committees

GROUP EXECUTIVE MANAGEMENT FORUM (GROUP EXCO)

Group Exco comprises the four Executive Directors, the COO: RSA, CDIO, the Group Treasurer, the Head of Corporate Finance, the Head of Investor Relations and Group Legal Counsel. The Group CEO chairs the committee. This committee meets as required, but at least quarterly, to consider Group results and operations, strategic issues and initiatives, and to monitor capital requirements and market trends.

RSA EXECUTIVE FORUM (RSA EXCO)

The RSA Exco comprises the CEO: RSA, the Human Resources Director, the COO: RSA, CDIO, the CFO: RSA, the Heads of Asset Management, the Head of Marketing, the Treasury Manager (representing the Group Treasurer), the Head of Corporate Social Responsibility and the Heads of the company's regional offices also attend all meetings. The CEO: RSA chairs the committee. The Group Exco members have a standing invitation to all meetings of the RSA Exco. This committee meets monthly and reviews operations, quarterly results (actual versus budget and projections) and company policy.

DEAL FORUM

The Deal Forum comprises the Group CEO, the Group FD, the CEO: RSA, the CFO: RSA, the COO: RSA, CDIO and the Heads of Asset Management and is chaired by the CEO: RSA. Its primary purpose is to discuss, consider and, if appropriate, approve:

- Potential acquisitions or disposals from R20m upwards
- All developments or substantial redevelopments
- Due diligence reports for proposed transactions

The Deal Forum makes recommendations to the Property and Investment Committee and/or the Board regarding proposed acquisitions and disposals of physical property assets and letting enterprises that exceed its level of authority.

The Deal Forum also deals with strategic, non-property related transactions.

Investor relations and access to information

The Board is committed to transparency and the disclosure of relevant information to all stakeholders.

Such disclosure includes communicating information on:

- Company strategy and performance
- Board practice
- The company's Code of Ethics
- Growthpoint's indirect impacts
- Business value and risk management

REMUNERATION REPORT

The Growthpoint remuneration report comprises four sections:
Part1: Background statement
Part 2: Remuneration policy
Part 3: Implementation of remuneration policy
Part 4: Non-executive remuneration

In line with King IV and the JSE Listings Requirements, shareholders will have the opportunity to exercise a non-binding advisory vote on Part 2 and Part 3 of this report at the 8 December 2020 AGM.

In terms of the Companies Act, shareholders will also have the opportunity to approve the FY21 Non-executive Directors' fees, detailed in Part 4, by way of a special resolution at the 8 December 2020 AGM.

We invite shareholders to engage with us prior to the 2020 AGM on any concerns or issues they may have regarding our remuneration policy. The company's Chairman and the Chairman of the committee will be doing a remuneration roadshow to all major shareholders before the AGM. Shareholders can also engage with the company's Head of Investor Relations directly: Lauren Turner lturner@growthpoint.co.za or +27 11 944 6346.

PART 1: BACKGROUND STATEMENT

The Board of Growthpoint Properties Limited (the company) and the Chairman of the Human Resources and Remuneration Committee (the committee) have pleasure in presenting the company's remuneration report for the financial year ended 30 June 2020. The committee considered the King IV Report on Corporate Governance for South Africa 2016 (King IV) when compiling this report and disclosure has been enhanced as a result. The report sets out the company's current remuneration policy and the detailed implementation and disclosure of remuneration for Executive Directors and Non-executive Directors.

The committee has worked with its independent adviser, PWC, to obtain guidance on the adoption and implementation of appropriate remuneration-related decisions.

The committee endeavours to ensure, to the extent appropriate, consistent application of the company's remuneration policy, which was approved by our shareholders at last years' AGM with strong votes in favour of both the remuneration policy and the implementation thereof. The committee seeks to incorporate the principles of fairness, transparency and consistency when it comes to the company's remuneration practices. The committee presents the FY20 remuneration report which shows alignment between shareholders' returns and Executive Directors' compensation, where both parties have seen a deterioration in returns for the FY20 reporting period. Shareholders' distribution per share (DPS) for FY20 was down 33% on FY19, and distributable income per share (DIPS) was down 16%. The share price declined 45% over the period resulting in a total shareholder return of -39% for the period. In turn Executive Directors' STI rewards have decreased 30% vs FY19, based on the STI scorecard on pages 140 to 143. The 45% decline in the share price has affected the value of vestings for the Executive Retention Scheme and Deferred Bonus Scheme, as well as shares owned directly in terms of the minimum shareholding requirements applicable to Executive Directors.

Being the biggest South African, JSE primary listed REIT, Growthpoint is regarded as the domestic industry leader which sets the local benchmark. We remain proud of our remuneration practices.

FY20 performance and challenges

Historically Growthpoint was always one of the last companies in the FTSE/JSE SA REIT Index to report June year-end results, making it easy to perform the peer group benchmarking for the relative financial performance measure. This year however, it was one of the first which meant that peers had not yet shown the impact of the Covid-19 pandemic in their latest reported results. To ensure the relevance and comparability of the peer group data, the committee decided to wait until the end of September 2020 to score the relative financial performance of the company, when all companies in the peer group with a 30 June 2020 year end had reported. The committee also decided to include companies from the FTSE/JSE SA REIT Index that had been impacted by Covid-19, but exclude companies who had not yet released results which included the period 27 March 2020 to 30 June 2020. On this basis, Redefine, Vukile, Equites, Investec, Stor-Age, Arrowhead, Octodec, Hospitality and Accelerate were excluded from the peer group benchmark. Under the circumstances, the committee has considered this to be the fairest approach. The committee also confirms that the same companies that were excluded this year, will be excluded for the FY21 STI calculations, given that they release results later than Growthpoint and as such will show a longer Covid-19 impact in their numbers from which Growthpoint would benefit if we were to include them.

To ensure the independence of the peer group calculations, the committee once again utilised the services of Investec Corporate Finance to perform this work.

Financial measures

With an increasing focus on liquidity, we and many of our peers have decreased or are considering decreasing dividend payout ratios and consequently the committee no longer regards DPS as a true measure of performance. The committee has therefore decided to change the KPI for financial measures from DPS growth to DIPS growth which is a far truer financial performance measure in the current environment.

The company's performance for the first nine months of the financial year was in line with budget and Executive Directors were on track to deliver the FY20 DPS guidance provided to the market. Unfortunately, the significant impact of the Covid-19 pandemic on the business in the last quarter had a substantial negative impact on the absolute financial performance measure (see page 140 to 143) with Executive Directors scoring 0%. Given the defensive nature of the business with risk measures in place to ensure long-term sustainability for all stakeholders, together with the geographic and sector diversification, the company performed better than its peers that had been affected by the pandemic with its DIPS declining 16.05% versus a decline of 25.70% for the peer group, placing it in the upper quartile.

Non-financial measures

Non-financial measures, including environmental, social and governance (ESG) related measures have gained much prominence among investors. ESG is a golden thread that runs through Growthpoint's operations and strategy. To link ESG measures to the total remuneration outcome for Executive Directors, customer satisfaction, transformation and sustainability KPIs have been incorporated in both the STI and the LTI schemes.

It was, however, not possible in the current environment to conduct our annual client satisfaction survey. Instead of making changes to the weightings of the other two non-financial measures, the committee decided to retain the customer satisfaction KPI for FY20 based on the FY19 score.

The committee is proud of the level 2 B-BBEE score that the company achieved for the period, which is an endorsement of the company's commitment to transformation in line with its published transformation strategy. Growthpoint's target is a minimum level 4 B-BBEE score.

We embrace sustainability at Growthpoint and we are delighted to be included, for the eleventh year, in the FTSE/JSE Responsible Investment Index. A minimum inclusion score of 2.9 out of 5 was required for the 2019/20 assessment and Growthpoint scored 3.3. Inclusion in the index is necessary to achieve on-target performance and in order to achieve stretch, Growthpoint would need to be a top 30 constituent, which it was not in this assessment period.

SHAREHOLDER ENGAGEMENT AND FEEDBACK

In October 2019, Growthpoint's Chairman of the Board and the Chairman of the committee conducted an extensive remuneration roadshow to all major shareholders to present the first awards under the long-term incentive (LTI) scheme and the new performance scorecard for the short-term incentive (STI) scheme. The 2019 remuneration report was particularly well received by shareholders given the delivery of a remuneration structure that was promised the year before. The committee was highly commended for its consistent approach to remuneration matters. Shareholders particularly liked the high levels of disclosure, third-party verifications of benchmark key performance indicators (KPIs), as well as the inclusion of sustainability elements in the scorecard. Our processes are understandable and include sanity checks throughout. The vote by our shareholders at our November 2019 AGM was an endorsement of our consistent approach to remuneration and ongoing commitment to the highest levels of corporate governance, transparency and disclosure. The implementation of the remuneration structure was approved by shareholders at the 12 November 2019 AGM, with a resounding 97.41% vote in favour of the remuneration policy and 97.02% vote in favour of its implementation.

The committee considered all suggestions. However in its efforts to remain consistent, not all have been incorporated into the FY20 remuneration structure.

Key themes from the October 2019 remuneration roadshow	
Given the risk-averse environment, risk measures should have a higher weighting	✗ Risk measures kept consistent with FY19. Management would have benefited from an increase in the risk measures this year, and the committee didn't feel this was appropriate under the circumstances. The position will be reconsidered next year if there is a change in circumstances
Regression analysis for benchmarking purposes should be on total remuneration (TR) and not total fixed remuneration (TFR)	✓ Our independent advisers PwC performed a regression analysis on TR for peers in the SA REIT Index
More disclosure needed for personal measures in the FY20 report	✗ Due to commercial sensitivities and confidentiality the committee has decided not to provide more details on these measures in the report
Market capitalisation peer group for TFR benchmarking needs to be updated	✗ Our policy is to update this benchmark every three years. As such, it will be updated for the FY21 benchmarking

Use of the executive retention scheme (ERS)

In an environment where key skills are scarce, our remuneration policy is a vital tool to ensure that key talent is attracted, motivated, engaged and retained. The ERS is designed to retain senior management over the longer term. The ERS is not awarded on a regular basis, with the last significant initial award having been made in 2014 with 20% of these initial 2014 awards vesting in FY20. For retention purposes an additional 2 914 700 ERS awards were granted in FY20, with 305 600 awarded to Executive Directors, 1 248 000 to Group and SA Executive Committee members and 1 361 100 to senior management. Olive Chauke was the only Executive Director who received awards under the ERS as she had not previously received any awards under this scheme. All awards were made for retention purposes.

ANNUAL FIXED REMUNERATION INCREASES

Given the unprecedented impact of the Covid-19 pandemic, the committee reviewed its strategy for the awarding of the annual July increases. Due to the challenging market conditions, the company did not follow its usual annual remuneration review process, and this is the first time in the company's history that not all employees participated in the increase-award process.

While there is no doubt that all staff have been affected by the global pandemic, the employees most likely to suffer hardship as a result are those on the lower salary ranges. This has been witnessed through the increase in counselling sessions and employee financial assistance granted, since the country went into lockdown on 27 March 2020. In line with the stated principle of fairness, the committee proposed that the Board approve a budget to alleviate the economic impact of Covid-19 on the company's lowermost earners.

The Board approved a budget to assist the committee in achieving this objective and the July 2020 increases were aimed at the lower 80% of earners at Growthpoint that performed satisfactorily, which equates to 456 of the 623 employees, with the top 20% of earners receiving no increases. The salary increases for these staff members were tiered with a maximum increase of 6% awarded to the lowest earners. The increases were effective on 1 July 2020 and are applicable for the period July 2020 to June 2021.

Donations to the Solidarity Fund

To assist those most affected by the impact of the Covid-19 pandemic, the company's Group CEO, RSA CEO and Group FD all pledged one-third of their salaries for three months to the Solidarity Fund. The Chairman and several Non-executive Directors also donated a third of their Board meeting fees for the third quarter of the financial year to the Solidarity Fund.

Conclusion

The committee takes a long-term view on growth and success and strives to incorporate this position into the company's remuneration policies and practices, which are designed to facilitate the delivery of the company's strategy on a sustainable basis.

The committee believes that the remuneration of Executive Directors for FY20 reflects the successful delivery of the company strategy to date in a very challenging and unprecedented environment, in which the company's risk measures and conservative practices have proved their worth. In addition, the committee believes that management have done an excellent job in leading the business through the extremely challenging and unprecedented Covid-19 environment. The committee is also satisfied that the KPIs and targets remain relevant and that Executive Directors are appropriately incentivised for the challenges that lie ahead.

While remuneration is a complex and controversial matter the committee believes that the company's remuneration policy is fair and responsible and is aligned with best practice and that its consistent application will sustain the performance culture in the company that will lead to sustained value creation for all our stakeholders. The committee trusts that shareholders will support the remuneration resolutions at the AGM on 8 December 2020.

Signed on behalf of the Board of Directors

Eric Visser
Human Resources and Remuneration Committee Chairman

PART 2: REMUNERATION POLICY

Fair and reasonable pay

Growthpoint is committed to ensuring that its remuneration policy and philosophy is fair, responsible and aligned to the "equal pay for work of equal value" code of good practice. Central to this philosophy is the principle that overall compensation at Growthpoint is tied to performance at both employee and company level. At the beginning of each financial year, managers identify key performance objectives they want employees to achieve. Delivery against these objectives is assessed twice a year and the employee's annual fixed remuneration is reviewed annually based on the company's and the employee's individual performance outcome which may lead to an increase in the employee's fixed remuneration and the award of a cash performance bonus.

Our pay for performance objectives are as follows:

- Attract, recruit, develop and retain the talent required to realise business goals
- Communicate and reinforce the values, goals and objectives of the company
- Engage employees in Growthpoint's success
- Reward employees for achievements
- Ensure that Growthpoint's remuneration is competitive as measured through remuneration surveys
- Promote the creation of a performance-orientates corporate culture, underpinned by our values, by defining the range of compensation options

To ensure that all our employees stay engaged and motivated, we continue to make awards of zero-cost share options to all staff, excluding the Executive Directors and other Executive Committee members under the Growthpoint Staff Incentive Scheme (GSIS).

Growthpoint continues to make strides in ensuring that our total rewards make a significant improvement to the quality of life of our employees, especially those at lower levels. Our goal is to ensure that all our employees, especially those below junior management levels, are paid a living wage. This is defined as the minimum income necessary for a staff member to meet their basic needs. Due to the subjective nature of the term "needs", there is no one universally accepted measure of what must be included in our definition of a living wage and it will vary by household type. Furthermore, the living wage differs from the national minimum wage in that the latter is governed by national legislation and may fail to meet the requirements to have a basic quality of life, leaving the family to rely on various government grants for additional income. Growthpoint's philosophy on the living wage is to provide a level of income that enables our lowest paid employees to afford a modest but decent standard of living. This generally means that our employees, notwithstanding any additional income they may have, should be able to afford food, shelter, clothing, utilities, transport, healthcare and childcare. In addition to fixed and variable pay and awards made under the GSIS, there are benefits enjoyed by employees, which are solely paid for by the employer. These include:

- Admed Insurance gap cover, which covers employees' medical cost shortfalls
- Personal accident cover
- Dread disease cover
- Educational assistance for qualifying employees' dependants through our GEMS programme (See page 93 for more information.)

Growthpoint values all staff and strives to ensure that remuneration is structured fairly. Superior performance is encouraged and rewarded. We recognise that remuneration forms an integral part of the employment offering that enables us to attract, reward and retain the talent we require to meet the company's objectives. We are particularly proud of our GSIS and believe that the participation of all employees (excluding executives) in the GSIS, through the granting of zero-cost share options, helps us to create a culture of ownership in which employees are satisfied, engaged and motivated to perform to the best of their ability.

The company participates in annual market remuneration surveys to ensure that our remuneration remains competitive.

As a designated employer (an employer with 150 or more employees), Growthpoint is also required by law, as regulated in the Employment Equity Act, to review its remuneration structure and actual remuneration paid. This analysis is conducted annually to ensure that there are no disparities based on race, gender or arbitrary grounds and that differences are based on justifiable grounds as allowed for in law, for example experience and tenure. Growthpoint also provides a process to advise if gaps exist and how these are being or will be addressed. In terms of section 27(1) of the Employment Equity Act 55 of 1998 as amended, Growthpoint submits to the Department of Labour the Income Differential Statement by 15 January annually.

REMUNERATION REPORT continued

Elements of remuneration

The organisation-wide remuneration structure provides for fixed and variable elements for its Executive Directors and Executive Committee members (jointly referred to as executives) and all other employees.

Executive remuneration has the following elements:
Total fixed remuneration comprising fixed remuneration and benefits.

Variable remuneration comprising the following short-term and long-term incentives:

- Short-term incentive consisting of an annual cash bonus which is awarded annually
- Short-term incentive deferred bonus in the form of zero cost options, awarded annually and equal to the value of the cash bonus, vesting equally over three years with no further performance measures
- Long-term incentive executive retention scheme with initial awards granted on 1 April 2014 with an eight-year vesting profile. This scheme is used for retention purposes with awards made on an *ad hoc* basis
- Long-term incentive with the first awards made in FY19. Awards under this scheme have a three-year forward measurement period. Awards are made annually

<table>
<tr><td rowspan="2">Total fixed remuneration (TFR)</td><td>Fixed remuneration</td><td>Fixed remuneration is paid in cash.

Executive Director’s fixed remuneration is targeted at the market median of the comparator group (see page 139), while remuneration for key employees may be set at the upper quartile to ensure retention and attraction of high performing talent.</td></tr>
<tr><td>Benefits</td><td>Competitive benefits for executives and all other employees include a defined contribution provident or pension fund, medical aid schemes, and life cover.

Company-paid benefits include personal accident, dread disease, approved medical gap cover disability and death benefit cover.</td></tr>
<tr><td>Variable remuneration</td><td>Short-term incentive (STI) – cash bonus</td><td>For Executive Directors, performance measures for the STI include threshold and stretch targets, measured over a 12-month period:

Group measure – 85% of STI[1]:
65% Financial:
◆ 32.5% Absolute DIPS growth relative to budget
◆ 32.5% Relative DIPS growth to peers in the FTSE/JSE SA REIT Index

5% Risk Measures:
◆ 1% Group LTV ratio
◆ 1% debt expiry profile
◆ 1% interest rate hedging
◆ 1% secured vs unsecured debt
◆ 1% Moody’s rating

15% Non-financial:
◆ 5% Customer Satisfaction Survey
◆ 5% Transformation achievements against the Board-approved transformation strategy which links to the internal target on B-BBEE scorecard
◆ 5% sustainability achievements relative to inclusion in the FTSE/JSE Responsible Investment Index to achieve on-target performance, and inclusion as a top-30 constituent to achieve stretch

Personal measure – 15% of STI[1]:
Delivery on strategy and specific personal targets and objectives.

Absolute DIPS is scored relative to budget DIPS which equals guidance DIPS. Budgeted DIPS is set at the beginning of the financial year and is derived from a rigorous bottom-up budgeting process. A 1% delta both up and down determines the modifier for absolute DIPS growth as follows:

<table><tr><th>Achievement against budget</th><th>Vesting level</th><th>Applicable modifier</th></tr><tr><td>More than 1% below budget</td><td>Below threshold</td><td>0%</td></tr><tr><td>1% below budget</td><td>Threshold</td><td>50%</td></tr><tr><td>Equal to budget DPS</td><td>Target</td><td>100%</td></tr><tr><td>More than 1% above budget</td><td>Stretch</td><td>Capped at 150%</td></tr></table>
Linear interpolation will occur on the modifier between the threshold and target performance and between target and stretch performance.</td></tr>
</table>

<table>
<tr><td rowspan="4">Variable remuneration (continued)</td><td>Short-term incentive (STI) – cash bonus</td><td>
Relative DIPS growth is benchmarked to peers in the FTSE/JSE SA REIT Index. For FY21, the same companies that were excluded for the FY20 calculation will once again be excluded. Constituents’ DIPS growth is weighted by market capitalisation, including Growthpoint, with all constituents capped at 15%, over a 12-month rolling period and is ranked according to quartiles as follows:
<table>
<tr><th>Growthpoint’s DIPS quartile ranking relative to FTSE/JSE SA REIT Index constituents</th><th>Vesting level</th><th>Applicable modifier</th></tr>
<tr><td>Bottom quartile</td><td>Below threshold</td><td>0%</td></tr>
<tr><td>Lower quartile</td><td>Threshold</td><td>50%</td></tr>
<tr><td>At the median</td><td>Target</td><td>100%</td></tr>
<tr><td>Upper and top quartile</td><td>Stretch</td><td>Capped at 150%</td></tr>
</table>
Linear interpolation will occur on the modifier between the threshold and target performance and between target and stretch performance.
For FY20, the cash bonus under the STI scheme for Executive Directors was awarded at a maximum of 100% of TFR which was then modified according to performance on the scorecard. From FY21, the cash bonus will be decreased to 75% of TFR, which will then be modified according to performance, to make way for the first vesting of shares awarded under the new LTI scheme introduced in FY19.
The above performance measures apply to all Executive Committee members. However, the weightings between Group and personal measures will vary from member to member.
For all other employees, excluding executives, the annual cash bonus is determined by comparing individual performance to agreed performance objectives.
</td></tr>
<tr><td>Short-term incentive (STI) – deferred bonus under the GSIS</td><td>
All executives’ cash bonuses are matched in quantum with a deferred bonus in the form of zero-cost share options, vesting over a three-year period of one third each, following the award date, with no further performance conditions. For FY20, the deferred bonus under the STI for Executive Directors was awarded at a maximum of 100% of TFR which was then modified according to performance on the scorecard.
With effect from FY21 the deferred bonus for Executive Directors will be decreased to a maximum of 50% of TFR, which will then be modified according to performance, to make way for the first vesting of shares awarded under the new LTI scheme introduced in FY19.
The only zero-cost share options awarded to executives are for the deferred bonus as part of their STI.
The committee, in appropriate circumstances and to ensure fairness, applies its discretion to determine an appropriate STI for Executives, ensuring that both the quantum and the change in total STI from the previous year are not grossly misaligned with the overall performance of the company, at all times considering alignment with what shareholders have experienced over the same period.
</td></tr>
<tr><td>Zero-cost options – under the GSIS</td><td>
All Growthpoint employees, excluding executives, are annually awarded zero-cost options under the GSIS that vest over a five-year period. The quantum is based on a target percentage of their fixed remuneration.
Target percentages are linked to market benchmarks and can be increased by approval of the committee for critical skills and individual retention.
The vesting profile allows for 0% of the awards to vest after year one, and 25% to vest in each successive year from year two with the last vesting of each award taking place after five years.
</td></tr>
<tr><td>Long-term incentive executive retention scheme (ERS) awards under the GSIS</td><td>
Executives and a limited number of key senior management participate in the ERS as part of the GSIS. The ERS is a notional share purchase scheme which simulates a share purchase scheme that is half funded with debt.
The initial options granted on 1 April 2014 had an initial strike price of R11.43 based on a 50% discount to the Growthpoint 30-day clean VWAP as traded on the JSE on the day of granting of the initial options.
Each option’s strike price is adjusted on a notional basis by:

increasing the strike price by 8.25% per annum, compounding on the distribution payment date and representing interest on the notional debt;
decreasing the strike price by the actual distribution per share declared and paid by the company.

The characteristics of the ERS provide for perfect alignment between Executive Directors and shareholders, in that the eventual value that an executive will receive under the ERS is driven by the actual DPS, growth in the DPS, and the share price.
These options vest on 1 April each year over eight years and give the option-holder the right to acquire one Growthpoint share at the variable strike price at the vesting date. The vesting schedule in respect of the initial awards is as follows:
<table>
<tr><td>1 April 2015</td><td>0%</td></tr>
<tr><td>1 April 2016 and 1 April 2017</td><td>10% pa</td></tr>
<tr><td>1 April 2018, 1 April 2019 and 1 April 2020</td><td>20% pa</td></tr>
<tr><td>1 April 2021 and 1 April 2022</td><td>10% pa</td></tr>
</table>
</td></tr>
</table>

Variable remuneration (continued)

LTI scheme under the GSIS

The LTI scheme gives executives conditional rights to shares. It includes threshold and stretch targets and has a forward measurement period of three years with awards settled in shares.

Awards are made based on the LTI award percentage, which is a maximum of 75% of TFR, and expressed as a number of Growthpoint shares based on a 90-day VWAP calculated on an ex-distribution basis, on the grant date.

The FY20 LTI awards will vest in FY22, and the vesting percentage will be subject to the following three-year performance measures:

Financial – 90% of LTI

- 30% absolute Total Return (TR)[2] where TR is measured against Growthpoint's weighted average cost of capital (WACC) calculated as the average risk-free rate over three years, plus 3%
- 30% relative TR measured against peers in the FTSE/JSE SA REIT Index
- 30% relative Total Shareholder Return (TSR)[3] measured relative to peers in the FTSE/JSE SA REIT Index

Non-financial – 10% of LTI

- 3.33% customer satisfaction survey
- 3.33% transformation achievements measured against the Board-approved transformation strategy which links to the internal target on B-BBEE scorecard
- 3.33% sustainability achievements relative to inclusion in the FTSE/JSE Responsible Investment Index to achieve on-target performance, and inclusion as a top-30 constituent to achieve stretch

Absolute TR will be scored relative to WACC per above. A 1% delta, both up and down, will determine the modifier for absolute TR as follows:

Achievement against WACC	Vesting level	Applicable modifier
More than 1% below WACC	Below threshold	0%
1% below WACC	Threshold	50%
Equal to WACC	Target	100%
More than 1% above WACC	Stretch	Capped at 150%

Linear interpolation will occur on the modifier between the threshold and target performance and between target and stretch performance.

TR and TSR relative to peers in the FTSE/JSE SA REIT Index will be market capitalisation weighted, including Growthpoint, capped at 15%, over a 36-month rolling period and will be ranked according to quartiles as follows:

Growthpoint's TR and TSR quartile ranking relative to FTSE/JSE SA REIT Index constituents	Vesting level	Applicable modifier
Bottom quartile	Below threshold	0%
Lower quartile	Threshold	50%
At the median	Target	100%
Upper and top quartile	Stretch	Capped at 150%

Linear interpolation will occur on the modifier between the threshold and target performance and between target and stretch performance.

The vesting percentage will be multiplied by the number of shares which constituted the award.

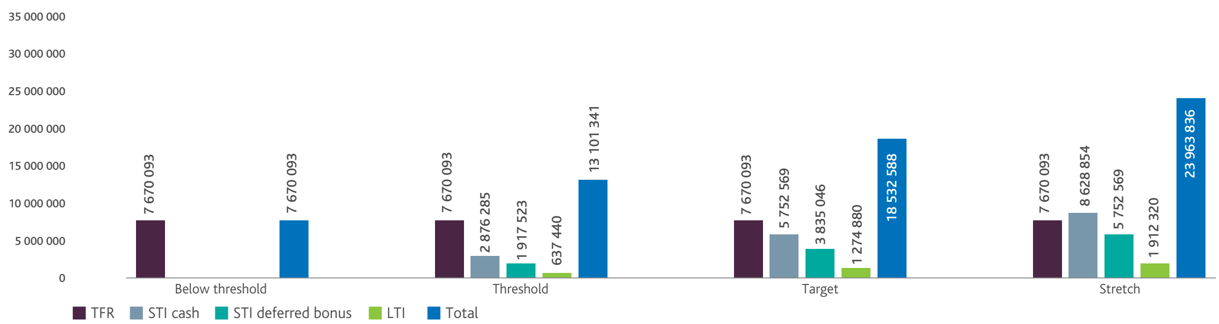
To determine the value, the resulting number of shares will be multiplied by the then-current (September 2022) share price based on a 90-day VWAP (ex-dividend).

1. *Group measures and personal measures are 50% each for the Human Resources Director.*
2. *TR = (Closing Tangible Net Asset Value Per Share (TNAVPS) – Opening TNAVPS) + DPS for the period/Opening TNAVPS. The TNAV is calculated by subtracting intangible assets and adding deferred tax liabilities to ordinary shareholders' equity.*
3. *TSR = (Closing 90-day VWAP – Opening 90-day VWAP) + DPS for the period / Opening 90-day VWAP. The VWAP is calculated with reference to the relevant company's last reporting date (whether interims or finals) and is calculated ex dividend.*

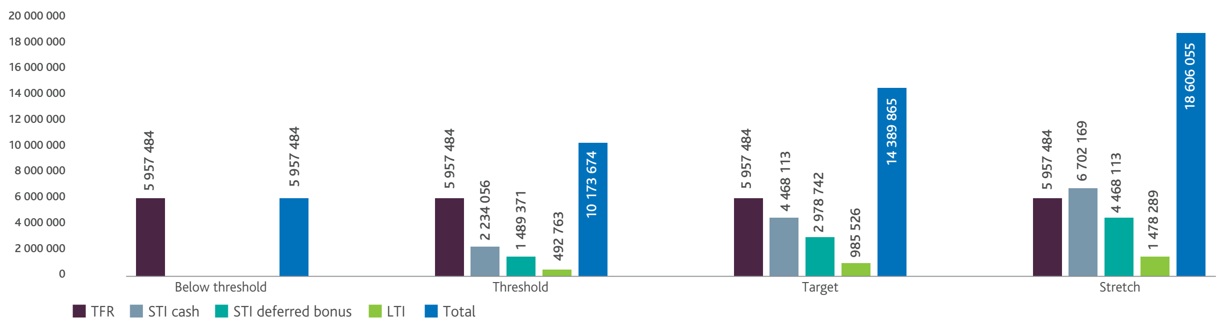
FY21 remuneration scenarios

The first awards under the LTI scheme were granted in FY19 and will vest in FY21 when the participation ratio for the STI awards will be reduced to 75% for the cash portion and 50% for the deferred bonus portion from the current 100% participation ratio for the Group CEO and SA CEO. The Group FD's participation ratio will increase from the current 65% to 75% in FY21 of which his STI awards will also be reduced to 75% for the cash portion and 50% for the deferred bonus portion. The Human Resources Director will remain at a 35% participation ratio of which her STI awards will also be reduced to 75% for the cash portion and 50% for the deferred bonus portion. The FY21 remuneration scenarios are depicted below, assuming the above changes in the participation of the STI awards, the value for LTI vestings per the table of unvested options on page 145 and that TFR increases at 5%:

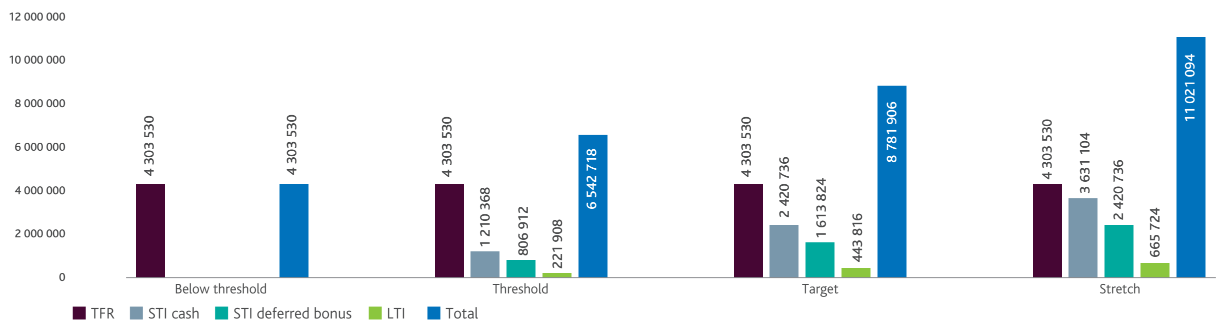
Group CEO FY21 remuneration scenarios (R)



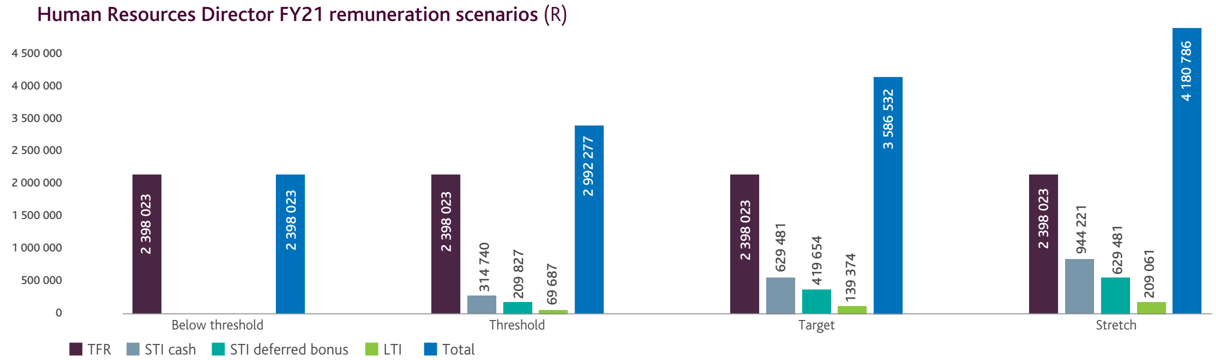
RSA CEO FY21 remuneration scenarios (R)



Group Financial Director FY21 remuneration scenarios (R)



Human Resources Director FY21 remuneration scenarios (R)



GSIS

The first awards under the GSIS were made in 2008. The aggregate number of options/shares that may be awarded to participants over the duration of the GSIS is currently 75m, representing around 2.5% of the issued shares of the company. As of 30 June 2020, 55.9m shares had been awarded and 7.1m forfeited by participants, leaving 26.2m shares available for issue.

In the case of termination of employment, the GSIS provides for forfeiture of all unvested options. In certain instances, at the discretion of the committee, *pro rata* future vesting may be allowed (for instance in the case of retirement and death in service).

Service contracts

The Group CEO and RSA CEO have service contracts with Growthpoint which provide for the following:

- An indefinite period of service, subject to the normal retirement age of the company, with a reciprocal six months' notice of termination provision;
- Paid "garden leave" for executives at the company's discretion;
- Unpaid restraints in relation to the company's clients, staff and corporate opportunities;
- The KPAs and KPIs against which the executives are measured.

The Group Financial Director and the Human Resources Director do not have service contracts but have standard employment contracts which only provide for reciprocal six months' notice of termination provisions.

Minimum shareholding requirements

In line with shareholder feedback and in order to align our Executive Directors' interests to those of our shareholders and demonstrate their commitment to long-term growth, minimum shareholding requirements have been introduced. Executive Directors have been given five years from the adoption of the policy or appointment to accumulate their holdings:

Executive director	Shareholding as at 30 June 2020	Share price as at 30 June 2020 R13.35	% of FY20 TFR	Minimum shareholding requirement Target 2024
Norbert Sasse	2 376 641	R31 728 157	434%	200% of TFR
Estienne de Klerk	2 367 670	R31 608 394	557%	150% of TFR
Gerald Völkel	50 000	R667 500	16%	100% of TFR
Olive Chauke	–	–	–	50% of TFR

Malus and clawback

Deferred bonus shares awarded to executives under the STI scheme, as well as shares awarded to executives under the new LTI scheme, are subject to malus and clawback provisions which are at the discretion of the committee. Malus will be applied to unvested or unpaid incentives and clawback will be applied to vested and settled incentives. Reasons for malus and clawback include:

- Gross misconduct of an executive
- Material misstatement of the company's audited financial results

Earnings from independent subsidiary and associated company appointments

Executive and Non-executive Directors of Growthpoint may be, and are from time to time, appointed to serve on boards of independent companies in which Growthpoint has acquired controlling or strategic shareholdings. Such appointments are made with the approval of Growthpoint's Board. Non-executive Directors of Growthpoint who hold such Board positions are permitted to receive and retain directors' fees paid to them by such subsidiaries or associated companies. Executives of Growthpoint so appointed shall fulfil their roles on the boards of such subsidiaries or associated companies as part of their executive responsibilities towards Growthpoint and any directors' fees earned by them from such companies shall be payable to Growthpoint, except to the extent that the committee may from time to time decide otherwise (as is the case in respect of such fees earned from GOZ Board appointments). Details of the remuneration earned and/or received by Executive Directors, Non-executive Directors and other executives for services rendered to independent subsidiaries and associated companies are reflected in note 23 of the FY20 annual financial statements (AFS) (pages 45 to 49).

Executives are not permitted to hold external directorships in other publicly traded entities without the approval of Growthpoint's Board.

PART 3: IMPLEMENTATION OF REMUNERATION POLICY

Fixed remuneration adjustments

Fixed remuneration increases were not awarded to executives nor Non-executive Directors for FY21. Despite this, the committee still considered the relevant comparator group market data for Executive Directors' remuneration, using the same market capitalisation comparator group used for the Non-executive Directors, listed on page 130.

Given there are no real comparator companies in the property sector with the size and complexity of Growthpoint, benchmarking is challenging. Accordingly, in addition to the annual market capitalisation comparator group benchmarking, the committee has undertaken for PwC to prepare an annual regression analysis on both TFR and TR earned by Executive Directors of property companies included in the FTSE/JSE SA REIT Index. Based on the assessment of various regression factors which take into account the size, performance and complexity of the organisation and include aspects such as market capitalisation, distributable income, total assets, total shareholder return, total debt and total square metres under management, a comparative ratio of a maximum of 150% was considered reasonable for TFR.

In the context of TR, once size and relative complexity are considered in conjunction with performance (with variable pay typically comprising two-thirds of TR), a reasonable maximum compa-ratio would range between 167% to 200%, where Growthpoint delivers stretch performance relative to industry peers who delivered a threshold to target level of performance. Based on the regression analysis performed, the committee considered the below compa-ratios to be acceptable.

	GROUP CEO		RSA CEO		GROUP FD		HR Director	
	TFR	TR	TFR	TR	TFR	TR	TFR	TR
Compa-ratio	106.3%	160.9%	91.1%	138.2%	89.3%	110.1%	n/a	n/a

FY20 STI outcomes (cash and deferred STI into zero-cost share options)

STI SCORECARDS:

Norbert Sasse

KPI	Weight	Threshold 50%	Target 100%	Stretch 150%	Score	Quartile ranking	Modifier	Weighted modifier
Group measure	**85.00%**						83.55%	**71.01%**
Financial	**65.00%**							**48.75%**
Absolute DIPS	**32.50%**	(1.00%)	0.00%	1.00%	(16.05%)	n/a	0.00%	**0.00%**
Relative DIPS	**32.50%**	(26.70%)	(25.70%)	(24.70%)	(16.05%)	Upper	150.00%	**48.75%**
Risk measures	**5.00%**							**5.44%**
(1) Group LTV	**1.00%**	45.00%	40.00%	35.00%	43.90%	n/a	61.00%	**0.61%**
(2) Debt expiry profile	**1.00%**	2.5 years	3.5 years	4.5 years	3.6 years	n/a	105.00%	**1.05%**
(3) Interest rate hedging	**1.00%**	65.00%	75.00%	85.00%	80.60 %	n/a	128.00%	**1.28%**
(4) Secured vs. unsecured debt	**1.00%**	80:20	70:30	60:40	43.5:56.5	n/a	150.00%	**1.50%**
(5) Domestic Moody's rating	**1.00%**	AA	AA+	AAA	AA+	n/a	100.00%	**1.00%**
Non-financial	**15.00%**							**16.82%**
Customer satisfaction survey	**5.00%**	3.80	7.50	8.9	6.5	n/a	86.49%	**4.32%**
Transformation	**5.00%**	Level 5	Level 4	Level 3	Level 2	n/a	150.00%	**7.50%**
Sustainability	**5.00%**	Excluded from FTSE/ JSE RI Index	Included in FTSE/ JSE RI Index	Top 30 constituent of FTSE/ JSE RI Index	Included but not a top 30 constituent	n/a	100.00%	**5.00%**
Personal measure	**15.00%**						80.00%	**12.00%**
Delivery on strategy and specific personal targets	**15.00%**						80.00%	**12.00%**
Total measure	**100.00%**							**83.01%**

Based on a 100% participation ratio.

Estienne de Klerk

KPI	Weight	Threshold 50%	Target 100%	Stretch 150%	Score	Quartile ranking	Modifier	Weighted modifier
Group measure	**85.00%**						83.55%	**71.01%**
Financial	**65.00%**							**48.75%**
Absolute DIPS	**32.50%**	(1.00%)	0.00%	1.00%	(16.05%)	n/a	0.00%	**0.00%**
Relative DIPS	**32.50%**	(26.70%)	(25.70%)	(24.70%)	(16.05%)	Upper	150.00%	**48.75%**
Risk measures	**5.00%**							**5.44%**
(1) Group LTV	**1.00%**	45.00%	40.00%	35.00%	43.90%	n/a	61.00%	**0.61%**
(2) Debt expiry profile	**1.00%**	2.5 years	3.5 years	4.5 years	3.6 years	n/a	105.00%	**1.05%**
(3) Interest rate hedging	**1.00%**	65.00%	75.00%	85.00%	80.60 %	n/a	128.00%	**1.28%**
(4) Secured vs. unsecured debt	**1.00%**	80:20	70:30	60:40	43.5:56.5	n/a	150.00%	**1.50%**
(5) Domestic Moody's rating	**1.00%**	AA	AA+	AAA	AA+	n/a	100.00%	**1.00%**
Non-financial	**15.00%**							**16.82%**
Customer satisfaction survey	**5.00%**	3.80	7.50	8.9	6.5	n/a	86.49%	**4.32%**
Transformation	**5.00%**	Level 5	Level 4	Level 3	Level 2	n/a	150.00%	**7.50%**
Sustainability	**5.00%**	Excluded from FTSE/JSE RI Index	Included in FTSE/JSE RI Index	Top 30 constituent of FTSE/JSE RI Index	Included but not a top 30 constituent	n/a	100.00%	**5.00%**
Personal measure	**15.00%**						75.00%	**11.25%**
Delivery on strategy and specific personal targets	**15.00%**						75.00%	**11.25%**
Total measure	**100.00%**							**82.26%**

Based on a 100% participation ratio.

Gerald Völkel

KPI	Weight	Threshold 50%	Target 100%	Stretch 150%	Score	Quartile ranking	Modifier	Weighted modifier
Group measure	**85.00%**						83.55%	**71.01%**
Financial	**65.00%**							**48.75%**
Absolute DIPS	**32.50%**	(1.00%)	0.00%	1.00%	(16.05%)	n/a	0.00%	**0.00%**
Relative DIPS	**32.50%**	(26.70%)	(25.70%)	(24.70%)	(16.05%)	Upper	150.00%	**48.75%**
Risk measures	**5.00%**							**5.44%**
(1) Group LTV	**1.00%**	45.00%	40.00%	35.00%	43.90%	n/a	61.00%	**0.61%**
(2) Debt expiry profile	**1.00%**	2.5 years	3.5 years	4.5 years	3.6 years	n/a	105.00%	**1.05%**
(3) Interest rate hedging	**1.00%**	65.00%	75.00%	85.00%	80.60%	n/a	128.00%	**1.28%**
(4) Secured vs. unsecured debt	**1.00%**	80:20	70:30	60:40	43.5:56.5	n/a	150.00%	**1.50%**
(5) Domestic Moody's rating	**1.00%**	AA	AA+	AAA	AA+	n/a	100.00%	**1.00%**
Non-financial	**15.00%**							**16.82%**
Customer satisfaction survey	**5.00%**	3.80	7.50	8.9	6.5	n/a	86.49%	**4.32%**
Transformation	**5.00%**	Level 5	Level 4	Level 3	Level 2	n/a	150.00%	**7.50%**
Sustainability	**5.00%**	Excluded from FTSE/ JSE RI Index	Included in FTSE/ JSE RI Index	Top 30 constituent of FTSE/ JSE RI Index	Included but not a top 30 constituent	n/a	100.00%	**5.00%**
Personal measure	**15.00%**						90.00%	**13.50%**
Delivery on strategy and specific personal targets	**15.00%**						90.00%	**13.50%**
Total measure	**100.00%**							**84.51%**

Based on a 65% participation ratio.

Olive Chauke

KPI	Weight	Threshold 50%	Target 100%	Stretch 150%	Score	Quartile ranking	Modifier	Weighted modifier
Group measure	**50.00%**						83.55%	**41.77%**
Financial	**65.00%**							**48.75%**
Absolute DIPS	**32.50%**	(1.00%)	0.00%	1.00%	(16.05%)	n/a	0.00%	**0.00%**
Relative DIPS	**32.50%**	(26.70%)	(25.70%)	(24.70%)	(16.05%)	Upper	15.000%	**48.75%**
Risk measures	**5.00%**							**5.44%**
(1) Group LTV	**1.00%**	45.00%	40.00%	35.00%	43.90%	n/a	61.00%	**0.61%**
(2) Debt expiry profile	**1.00%**	2.5 years	3.5 years	4.5 years	3.6 years	n/a	105.00%	**1.05%**
(3) Interest rate hedging	**1.00%**	65.00%	75.00%	85.00%	80.60%	n/a	128.00%	**1.28%**
(4) Secured vs. unsecured debt	**1.00%**	80:20	70:30	60:40	43.5:56.5	n/a	150.00%	**1.50%**
(5) Domestic Moody's rating	**1.00%**	AA	AA+	AAA	AA+	n/a	100.00%	**1.00%**
Non-financial	**15.00%**							**16.82%**
Customer satisfaction survey	**5.00%**	3.80	7.50	8.9	6.5	n/a	86.49%	**4.32%**
Transformation	**5.00%**	Level 5	Level 4	Level 3	Level 2	n/a	150.00%	**7.50%**
Sustainability	**5.00%**	Excluded from FTSE/JSE RI Index	Included in FTSE/JSE RI Index	Top 30 constituent of FTSE/JSE RI Index	Included but not a top 30 constituent	n/a	100.00%	**5.00%**
Personal measure	**50.00%**						90.00%	**45.00%**
Delivery on strategy and specific personal targets	**50.00%**						90.00%	**45.00%**
Total measure	**100.00%**							**86.77%**

Based on a 35% participation ratio.

FY20 LTI awards

These awards were granted in FY20 based on the FY20 TFR, which was the TFR at the time of the award. These awards have a forward measurement period of three years, with all FY20 awards vesting in FY22 subject to three-year performance measures.

Name	TFR FY20 R	LTI R	# of LTI Awards issued, based on a 90-day ex dividend VWAP of R23.12	LTI as a % of FY20 TFR
Norbert Sasse	7 304 850	5 478 638	236 965	75%
Estienne de Klerk	5 673 794	4 255 346	184 055	75%
Gerald Völkel	4 098 600	1 998 068	86 422	49%
Olive Chauke	2 283 831	599 506	25 930	26%

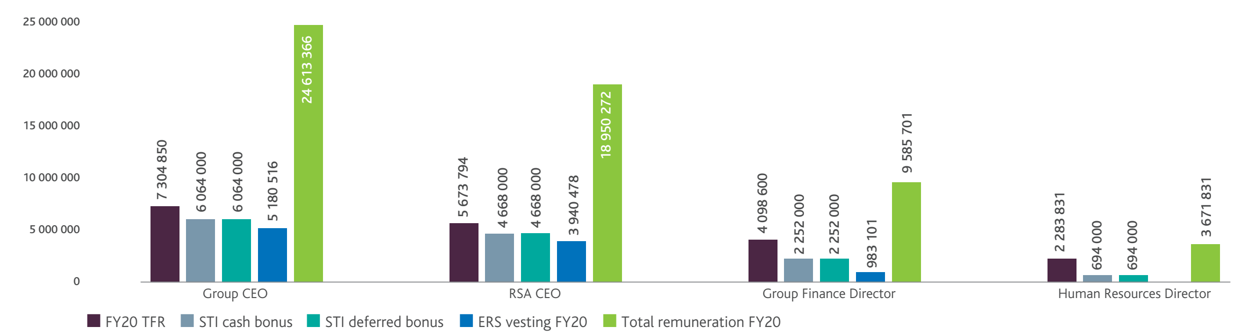
Executive Directors' FY20 remuneration

In the table below, the cash STI and deferred STI awards for FY20 are disclosed. The FY20 deferred STI awards will vest equally in three tranches in FY21, FY22 and FY23 with no further performance measures. ERS awards which vested in FY20 are also disclosed.

Name	TFR FY20 R	TFR FY21 R	STI Cash Bonus[1] R	STI Deferred Bonus[2] R	ERS vesting FY20[3] R	Cash STI and Deferred STI as % of TFR R	Total remuneration FY20 R	Total remuneration FY19 R	% Change
Norbert Sasse	7 304 850	7 304 850	6 064 000	6 064 000	5 180 516	166%	24 613 336	33 665 145	(26.87%)
Estienne de Klerk	5 673 794	5 673 794	4 668 000	4 668 000	3 940 478	166%	18 950 272	24 924 002	(23.97%)
Gerald Völkel	4 098 600	4 098 600	2 252 000	2 252 000	983 101	110%	9 585 701	10 333 963	(7.24%)
Olive Chauke	2 283 831	2 283 831	694 000	694 000	–	61%	3 671 831	3 843 008	(4.45%)

1. *Calculated at 100% of FY20 TFR for Norbert Sasse and Estienne de Klerk, 65% of FY20 TFR for Gerald Völkel and 35% of FY20 TFR for Olive Chauke with the ratio of Group to personal measures at 85%:15% for all Executive Directors except the Group Human Resources Director whose ratio is 50%:50%. Based on FY20 performance and paid in cash in FY21.*
2. *Deferred STI zero-cost share options, equal to cash bonus, in respect of FY20 awarded in FY21, vesting equally over three years in FY22, FY23 and FY24.*
3. *20% of the initial ERS awards granted in April 2014 vested in FY20. Due to the Covid-19 crisis ERS participants were allowed to defer their April 2020 vesting to April 2021 which participants elected to do.*

FY20 remuneration (R)



Executive Directors' single total figure remuneration

The single total figure of remuneration is intended to enhance the transparency of Executive Director remuneration disclosure by consolidating all relevant information relating to current performance into a single table. This table provides a summary of all remuneration that is received or receivable for the FY20 reporting period, and all the remuneration elements that it comprises, where applicable disclosed at fair value.

Name	TFR[1] R	STI annual cash bonus	STI deferred bonus – one-third[2] R	STI deferred bonus – two-thirds[3] R	Total remuneration R
2019					
Norbert Sasse	6 957 000	8 195 000	2 731 667	5 463 333	23 347 000
Estienne de Klerk	5 378 004	6 294 000	2 098 000	4 196 000	17 996 004
Gerald Völkel	3 726 000	2 853 000	951 000	1 902 000	9 432 000
Olive Chauke	2 173 008	835 000	278 333	556 667	3 843 008
2020					
Norbert Sasse	**7 304 850**	**6 064 000**	**2 021 333**	**4 042 667**	**19 432 850**
Estienne de Klerk	**5 673 794**	**4 668 000**	**1 555 666**	**3 112 000**	**15 009 794**
Gerald Völkel	**4 098 600**	**2 252 000**	**750 666**	**1 501 334**	**8 602 600**
Olive Chauke	**2 283 831**	**694 000**	**231 333**	**462 667**	**3 671 831**

1. *TFR is made up of basic salary plus provident and medical aid.*
2. *The STI deferred bonus comprises one-third of deferred STI awarded in respect of FY20 that will vest a year after the award date with no further performance conditions.*
3. *The STI deferred bonus comprises the remaining two-thirds of the deferred STI awarded in respect of FY20 that will vest more than one year after the award date with no further performance conditions.*

Executive Directors' table of unvested awards and cash settlement

This table details all unvested and outstanding awards under the deferred STI, LTI and ERS at FY20. It also details the cash value of all awards made under variable remuneration, deferred STI and ERS awards, that vested in FY20.

	Award date	Share price on grant (R)	Opening number on 1 July 2019	Granted during FY20	Vested during FY20	Closing number at 30 June 2020	Cash value of settlements during FY20	Estimated closing value at 30 June 2020
Norbert Sasse								
ERS								
2014 ERS	1 April 2014	22.86	1 600 000	–	(800 000)	800 000	5 180 516	8 550 018
LTI								
FY19 LTI	1 October 2018	24.93	209 296	–	–	209 296	–	1 274 880
FY20 LTI	1 October 2019	23.12	–	236 965	–	236 965	–	1 443 421
STI								
Deferred bonus zero-cost share options								
FY16 Deferred STI	1 September 2016	26.59	68 125	–	(68 125)	–	1 484 444	–
FY17 Deferred STI	1 September 2017	23.99	165 892	–	(82 946)	82 946	1 807 393	1 107 329
FY18 Deferred STI	1 September 2018	24.74	275 565		(91 855)	183 710	2 001 520	2 452 529
FY19 Deferred STI	1 October 2019	22.53	–	363 737	–	363 737	–	4 855 889
Total						**1 876 654**	**10 473 874**	**19 684 065**

	Award date	Share price on grant R	Opening number on 1 July 2020	Granted during FY20	Vested during FY20	Closing number at FY20	Cash value of settlements during FY20	Estimated closing value at 30 June 2020
Estienne de Klerk								
ERS								
2014 ERS	1 April 2014	22.86	960 000	–	(480 000)	480 000	3 108 310	5 130 011
2015 ERS	1 September 2015	27.12	480 000	–	(120 000)	360 000	832 169	3 392 943
LTI								
FY19 LTI	1 October 2018	24.93	161 793	–	–	161 793	–	985 526
FY20 LTI	1 October 2019	23.12	–	184 055	–	184 055	–	1 121 128
STI								
Deferred bonus zero-cost share options								
FY16 Deferred STI	1 September 2016	26.59	51 300	–	(51 300)	–	1 117 827	–
FY17 Deferred STI	1 September 2017	23.99	124 925	–	(62 462)	62 462	1 361 047	833 868
FY18 Deferred STI	1 September 2018	24.74	212 999	–	(70 999)	141 998	1 547 068	1 895 673
FY19 Deferred STI	1 October 2019	22.53	–	279 361	–	279 361	–	3 279 469
Total						**1 669 669**	**7 966 420**	**17 088 618**

	Award date	Share price on grant R	Opening number on 1 July 2020	Granted during FY20	Vested during FY20	Closing number at FY20	Cash value of settlements during FY20	Estimated closing value at 30 June 2020
Gerald Völkel								
ERS								
2016 ERS	1 September 2016	25.88	630 000	–	(70 000)	560 000	983 101	6 176 250
LTI								
FY19 LTI	1 October 2018	24.93	72 861	–	–	72 861	–	443 816
FY20 LTI	1 October 2019	23.12	–	86 422	–	86 422	–	526 418
STI								
Deferred Bonus zero-cost share options								
FY16 Deferred STI	1 September 2016	26.59	17 101	–	(17 101)	–	372 631	–
FY17 Deferred STI	1 September 2017	23.99	55 888	–	(27 944)	27 944	608 900	373 052
FY18 Deferred STI	1 September 2018	24.74	96 030	–	(32 010)	64 020	697 498	854 667
FY19 Deferred STI	1 September 2019	22.53	–	126 631	–	126 631	–	1 690 524
Total						**937 878**	**2 662 130**	**10 064 727**

	Award date	Share price on grant R	Opening number on 1 July 2020	Granted during FY20	Vested during FY20	Closing number at FY20	Cash value of settlements during FY20	Estimated closing value at 30 June 2020
Olive Chauke								
ERS								
FY19 ERS	1 October 2019	22.42	–	305 600	–	305 600	–	674 768
LTI								
FY19 LTI	1 October 2018	24.93	22 881	–	–	22 881		139 374
FY20 LTI	1 October 2019	23.12	–	25 930	–	25 930	–	157 948
STI Deferred Bonus zero-cost share options								
FY17 Deferred STI	1 September 2017	23.99	7 782	–	(3 891)	3 891	84 785	51 945
FY18 Deferred STI	1 September 2018	24.74	30 111	–	(10 036)	20 075	218 684	268 001
FY19 Deferred STI	1 October 2019	22.53	–	37 062	–	37 062	–	494 778
Total						**415 439**	**303 469**	**1 786 814**

PART 4: NON-EXECUTIVE REMUNERATION

The following principles apply to the remuneration of Non-executive Directors:

- The fee structure is recommended to the committee by executives and independent advice is sought if required;
- Fees are structured as an annual retainer component plus an attendance fee for scheduled meetings;
- Fees are reviewed annually and proposed at AGMs for approval;
- Fees are benchmarked annually to a comparator group;
- The comparator group companies must have a similar profile to Growthpoint. As such, with regard to size measured by market capitalisation, complexity of the business, industry and location of operations;
- In determining the comparator group, market capitalisation, turnover, number of employees, total assets and earnings before interest, tax, depreciation and amortisation were taken into account;
- The FY20 comparator group comprised the following companies:
  - Aspen Pharmacare Holdings Limited
  - Bid Corporation Limited
  - Capitec Holdings Limited
  - Discovery Limited
  - Mr Price Group Limited
  - Nedbank Group Limited
  - Rand Merchant Bank Limited
  - Redefine Properties Limited
  - Sanlam Group Limited
  - The Foschini Group Limited
  - Tiger Brands Limited
  - Woolworths Holdings Limited;
- The remuneration of Non-executive Directors is targeted between the median and the upper quartile of the comparator group given the level of responsibility, time and competence required, complexity of the business, Growthpoint's growing international footprint and sheer size;
- Non-executive Directors do not participate in the company's annual bonus plan or in any of its long-term incentive plans;
- None of the Non-executive Directors has a contract of employment with the company. Their appointments are made in terms of the company's Memorandum of Incorporation and are confirmed at the first AGM of shareholders following their appointment, and thereafter at three-yearly intervals when they retire by rotation in terms of the Memorandum of Incorporation;
- Annual assessments of independence and performance are conducted in respect of the Non-executive Directors, details of which can be found on pages 22 to 24.

Policy statements on Non-executive Director fees:

1. The attendance fees for scheduled meetings shall be as agreed by shareholders on the Board's recommendation, at the AGM (November each year);
2. Each Non-executive Director will be obliged to attend, without compensation, the first 2 (two) unscheduled meetings in any financial year, whether Board meetings or committee meetings;
3. The Board's annual off-site strategy conference, whether spanning 1 (one) or more days, will be regarded as 1 (one) Board meeting and will be remunerated on that basis;
4. The Audit Committee meeting each year to review and approve the company's annual integrated report, whether scheduled or not, shall be regarded as a scheduled meeting and committee members in attendance shall be remunerated accordingly;
5. Subject to point 2 hereof, for an unscheduled meeting involving the Board or any regarded for more than 1 (one) consecutive day, the respective attendance fees shall be paid for each day;
6. Subject to points 2 and 5 hereof, attendance at meetings of any special-purpose committee appointed by the Board *ad hoc* shall be remunerated on the basis applicable to an existing committee whose purpose most closely relates to that of the special-purpose committee;
7. Fees for special assignments, including any shareholder engagement required or property due diligence inspections, of one or more tasked members of the Board or of any committee, which may also include travel on business locally or abroad, are to be agreed upfront with the Chairman of the Board. Travel and fares and reasonable subsistence shall be in line with Growthpoint's relevant policies as they apply to Executive Directors.

Despite the outcome of the benchmarking exercise concluded in FY20 no increases to Non-executive Directors' fees are proposed for FY21.

Schedule of retainer fees and fees payable per meeting

	FY20	Increase %	FY21
Basic fee (pa)			
Chairman*	**1 385 700**	0	1 385 700
Deputy Chairman/Lead Independent Director	**178 500**	0	178 500
Director	**66 400**	0	66 400
Attendance fee (x5)			
Board			
Chairman	**231 900**	0	231 900
Director	**74 400**	0	74 400
Audit Committee (x5)			
Chairman	**69 700**	0	69 700
Members	**49 500**	0	49 500
Risk Management Committee (x4)			
Chairman	**62 100**	0	62 100
Members	**41 700**	0	41 700
Property and Investment Committee (x4)			
Chairman	**69 700**	0	69 700
Members	**49 500**	0	49 500
Social, Ethics and Transformation Committee (x4)			
Chairman	**54 000**	0	54 000
Members	**34 300**	0	34 300
Human Resources and Remuneration Committee (x4)			
Chairman	**61 800**	0	61 800
Members	**41 500**	0	41 500
Governance and Nomination Committee			
Chairman	**54 300**	0	54 300
Members	**34 400**	0	34 400

* *In addition to his duties as Chairman and member of the Remuneration Committee, the Chairman, without any additional remuneration, attended the Risk Management Committee meeting, served as a director of the V&A Waterfront and attended the V&A Waterfront Remuneration Committee meetings in FY20.*

In addition to the above meetings, Non-Executive Directors attended an additional four Covid-19 related Board meeting during the year for which they were not remunerated, including the annual Board offsite which was conducted virtually.

Actual fees paid to Non-executive Directors for FY20

The fees paid to Non-executive Directors for FY20 were paid on the basis presented in the tables on page 47 of the AFS, as approved by the committee and by the Board, on authority granted by shareholders at the AGM held on 12 November 2019.

	Directors' fees FY20 R	Directors' fees FY19 R
MG Diliza (Social, Ethics and Transformation Committee Chairman and Property and Investment Committee)	**880 900**	941 600
PH Fechter[2] (Property and Investment Committee Chairman and Audit Committee)	**538 800**	954 100
LA Finlay (Audit Committee Chairman and Social, Ethics and Transformation Committee)	**1 299 500**	1 198 100
JC Hayward (Lead Independent Director, Risk Management Committee Chairman, and Audit Committee)	**1 207 700**	1 124 700
JF Marais (Board Chairman and Human Resources and Remuneration Committee)*	**3 105 100**	2 783 300
PS Mngconkola (Social, Ethics and Transformation Committee and Risk Management Committee)	**816 900**	706 400
R Moonsamy (Social, Ethics and Transformation Committee and Property and Investment Committee)	**798 600**	736 800
NBP Nkabinde (Social, Ethics and Transformation Committee and Risk Management Committee)	**816 900**	706 400
FJ Visser (Human Resources and Remuneration Committee and Risk Management Committee)	**921 000**	901 300
N Siyotula[1] (Human Resources and Remuneration Committee and Audit Committee)	**396 900**	811 100
JA van Wyk[3] (Property and Investment Committee, Risk Management Committee and Audit Committee)	**883 600**	–
FM Berkeley[3] (Property and Investment Committee Chairman, Human Resources and Remuneration Committee and Audit Committee)	**1 124 600**	–
R Gasant (Risk Management Committee and Audit Committee Chairman)	**182 200**	–
Total	**12 972 700**	**10 863 800**

* *In addition to his duties as Chairman and member of the Remuneration Committee, the Chairman, without any additional remuneration, attended the Risk Management Committee and the Social, Ethics and Transformation Committee, served as a director of the V&A Waterfront, and attended the V&A Waterfront Remuneration Committee meetings in FY20.*

1. *Mrs N Siyotula resigned from the Board on 12 November 2019.*
2. *Mr P Fechter retired from the Board on 12 November 2019.*
3. *Mr JA van Wyk and Mr FM Berkeley were appointed to the Board on 10 September 2019.*
4. *Mr R Gasant was appointed to the Board on 1 June 2020.*
5. *Mrs LA Finlay resigned from the Board on 7 July 2020.*

Refer to special resolution 2.1 on page 9 of the Notice of AGM for approval of the Non-executive Directors' fees by shareholders in terms of section 66 of the Companies Act.

RISK MANAGEMENT

The Board has overall responsibility for the adoption, oversight and reporting of Growthpoint's risk management framework. The Board is assisted by the Risk Management Committee.

The framework encompasses four distinct categories of risk:

STRATEGIC OPPORTUNITIES AND RISKS

- Identified annually by the Group Chief Executive Officer with reference to the business model and the organisation's objectives
- Documented in terms of the recommended practices of the King IV Report on Corporate Governance for South Africa 2016 – Risk Governance section
- Presented to and reviewed by the Risk Management Committee
- Quarterly reporting of Key Performance Indicators (KPIs) to the Risk Management Committee

(Refer business model and value creation)

RESPONSIBILITIES

Ad hoc management

Board of Directors

Risk Management Committee

Audit Committee

Executive Management

Assurance by internal audit and risk management

REPORTING RISK

- Responsibility of the Audit Committee
- Systems of internal control established to provide reasonable assurance of the validity, accuracy, completeness and timely accumulation of financial data
- Systems of internal control assessed by internal audit up to general ledger and management reporting level
- Analytical reviews and reconciliations performed by Group Finance function
- Internal audit assesses the adequacy and appropriateness of management's analytical reviews and reconciliations every second year
- External auditor ensures the fair presentation of financial information at a statutory reporting level

OPERATIONAL RISK

- Identified annually by the Group Chief Executive Officer with reference to the business model and the organisation's objectives
- Compared to the "REIT Risk Instrument" universe of risks which is an internet-based technology risk solution developed specifically for RSA REITs after having assessed the probability and likelihood of the risk
- Key risks documented and presented to and reviewed by the Risk Management Committee
- Monthly and/or quarterly reporting of KPIs by SBUs, sector or Group
- Quarterly reporting of KPIs to the Risk Management Committee

Day-to-day management

Executive Management

Property Sectors

Strategic Business Units (SBUs)

Assurance by Compliance Officers, Risk Officer and support functions

COMPLIANCE RISK

- Primary legislation affecting organisation identified by Company Secretarial function in conjunction with in-house and external legal advisers
- Where necessary, or if prescribed by legislation, compliance officers appointed to oversee adherence to the relevant Acts
- Employees expected to keep abreast of legislation and compliance requirements relevant to their area of responsibility
- Risk Information Management System (RIMS) technology solution utilised by facilities management personnel on a quarterly basis to report on compliance to building regulations, OHS Act and fire regulations
- Risk Officer dedicated to ensuring compliance to building regulations, OHS Act and fire regulations
- Inspection of buildings by independent insurers

Risks on the radar

The following risks have been identified as being prevalent within the operating environment due to the reporting of related activities in the public domain during the financial period. Although not necessarily specific to Growthpoint, the risks warrant commentary as to how Growthpoint has acted to mitigate such risks.

1. COVID-19

CONTRIBUTORS	PROBABLE IMPACT	MITIGATION
◆ Worldwide pandemic	◆ Global recession ◆ Reduced revenues ◆ Increase in vacancies ◆ Increase in arrears ◆ Reduced valuations due to lower revenue and increased risk-free rates	*Property Industry Group* A collective formed by the major representative bodies for real estate in SA to coordinate a response to Covid-19 and specifically the economic effects of the lockdown by providing a relief package to tenants. *Retention of tenants* Assistance provided to tenants in the form of relief discounts and deferments.

2. ENVIRONMENTAL

CONTRIBUTORS	PROBABLE IMPACT	MITIGATION
◆ Deteriorating infrastructure and service delivery ◆ Increase in administered costs ◆ Increased regulatory requirements	◆ Reputational damage ◆ Additional costs ◆ Carbon tax ◆ Ability to source funding	*Environmental policy* Our formalised policy focuses on climate change, carbon emissions, biodiversity and energy, water, and waste management. *New developments* ◆ A responsibility matrix is used which lists, among other things, the regulatory indicators to be considered when undertaking a development ◆ New office developments to achieve a minimum 4-Star Green Star SA rating *Development contractors* Where required, the contractor will appoint a consultant who specialises in environmental matters. *Existing buildings* ◆ Obtaining green building certification in terms of the GBSA for office sector properties ◆ Identifying suitable solutions in terms of our six-step sustainable change process ◆ Engaging and implementing energy-efficient initiatives to reduce utility spend, the saving on which are shared with tenant ◆ Using the energy and water performance tool developed by GBCSA to benchmark office buildings ◆ Waste target of zero organic waste to landfill by 2022 ◆ Assessing carbon footprint annually, which is externally verified by a third party *Climate change* ◆ Tracking of data and the various weather-related incidents to identify preventative initiatives ◆ Aspirational climate strategy

3. HEALTH AND SAFETY

CONTRIBUTORS	PROBABLE IMPACT	MITIGATION
◆ Increase in administered costs ◆ Increased regulatory requirements	◆ Reputational damage ◆ Fines ◆ Legal liability ◆ Additional costs	*Risk Information Management System (RIMS)* A web-enabled software program focused on property operations, which facilities management personnel complete for each building, each quarter. The results are analysed to identify issues that need management's attention. *Vendor vetting* The Procurement Department, when vetting a vendor, ensures that the vendor submits documentation about the way in which they ensure compliance with the OHS Act. *Training* Facilities managers as well as the Risk Officer identify health and safety training needs for individual employees as well as across the organisation. *Risk Officer* A dedicated Risk Officer ensures compliance with building and fire compliance regulations as well as the OHS Act by: ◆ Regularly performing independent visits to buildings ◆ Liaising with tenants when conducting building inspections ◆ Liaising with facilities and property management personnel ◆ Liaising with insurers *Independent insurer reviews* Growthpoint's insurers undertake inspections of buildings each year to ensure that the insurable cover is commensurate with the insurable risk that they have underwritten.

ABBREVIATIONS

ABET	Adult basic education and training
ACTSA	Association of Corporate Treasurers of Southern Africa
Acucap	Acucap Properties Limited
AdmedGap	Hospitalisation gap cover
AFS	Annual financial statements
AGM	Annual general meeting
AI	Artificial intelligence
AIM	Alternative investment market of the London Stock Exchange
Alsi 40	JSE/Actuaries All Share Top 40 Companies Index
ANC	African National Congress
ADI	APN Industria Reit
A-REIT	Australian Real Estate Investment Trust
ASIB	Automatic Sprinkler Insurance Bureau
ASISA	Association for Savings and Investment South Africa
ASX	Australian Stock Exchange
AUD	Australian Dollar
B-BBEE	Broad-based black economic empowerment
BOE	Bank of England
BPO	Business process outsourcing
BPR	Best practice recommendations
bps	Basis points
c.	circa
CAGR	Compound annual growth rate
CCI	FNB/BER Consumer Confidence Index
CCIRS	Cross-currency interest rate swap
CDIO	Chief Development and Investment Officer
CDP	Carbon Disclosure Project
CEE	Central and Eastern Europe
CEO	Chief Executive Officer
CGU	Cash-generating unit
CIPC	Companies and Intellectual Property Commission
COBIT	Framework for the governance and management of IT
CO_2	Carbon dioxide
COO	Chief Operating Officer
COE	Centre of Excellence
CPI	Consumer price index
CPLI	JSE 100 Carbon Performance Leadership Index
CRAR	Commercial rent arrears recovery
CRISA	Code for Responsible Investment in South Africa
CRM	Customer relations management
CSI	Corporate social investment
CSOS	Community Schemes Ombud Service Act
CSR	Corporate social responsibility
CSSA	Chartered Secretaries South Africa
C&R	Capital & Regional
DIA	Debts Issuers Association
DJSI	Dow Jones Sustainability World Index
DPS	Distribution per share
DRIP	Distribution reinvestment plan
dti	Department of Trade and Industry
EAAB	Estate Agency Affairs Board
EAP	Employee assistance programme
EBIT	Earnings before interest and tax
EBP	Existing building performance
ECD	Early childhood development
EE	Eastern Europe
EMTN	Euro Medium-Term Note
EPRA	European Public Real Estate Association
ERM	Enterprise risk management
ERS	Executive retention scheme
ESG	Environmental, social and governance
EUR	Euro
EVP	Employer value proposition
EWP	Energy and water performance
FCTR	Foreign currency translation reserve
FECs	Forward exchange controls
FTSE/JSE RI	FTSE/JSE Responsible Investment Index
FY	Financial year
G2	Growthpoint gives
GAI	Governance assessment instrument
GAV	Gross asset value
GBCSA	Green Building Council of South Africa
GBP Sterling	Pounds sterling
GCTC	Guaranteed cost to company
GDP	Gross domestic product
GEPF	Government Employees Pension Fund
GHPH	Growthpoint Healthcare Property Holdings
GIAP	Growthpoint Investec African Properties
GLA	Gross lettable area
GMF	GPT Metropolitan Office Fund

GOZ	Growthpoint Properties Australia Limited
GPRE	Globalworth Poland Real Estate N.V.
GRI	Global Reporting Initiative
GWI	Globalworth Real Estate Investments
Group Exco	Group Executive Management Committee
Growthpoint	Growthpoint Properties Limited
GRESB	Global Real Estate Sustainability Benchmark
GSIS	Growthpoint Staff Incentive Scheme
IAR	Integrated annual report
IAS	Investment Analysts Society
IASB	International Accounting Standards Board
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
Income Tax Act	Income Tax Act, No 58 of 1962
IoD	Institute of Directors
IoT	Internet of things
IDR	Industria REIT
ISO	International Organisation of Standards
ITO	IT outsourcing
IT	Information technology
IT&C	Information technology and communications
ITS	Integrated transformation strategy
JCCI	Johannesburg Chamber of Commerce and Industry
JIBAR	Johannesburg Interbank average rate
JSE	Johannesburg Stock Exchange
JSE Listings Requirements	Listings Requirements of the JSE Limited
JV	Joint venture
King IV™	King IV Report on corporate Governance for South Africa 2016
KPA	Key performance area
KPI	Key performance indicator
kWh	Kilowatt hours
LEED	Leadership in Energy and Environmental Design
LTI	Long-term incentive
LTV	Loan to value ratio
Manco	Management Committee

MER	Managed expense ratio
MOCAA	Zeitz Museum of Contemporary Art Africa
MOI	Memorandum of Incorporation
Moody's	Moody's Investor Services
MSCI	Morgan Stanley Capital International
NABERS	National Australian Built Environment Rating System
NAV	Net asset value
NBI	National Business Initiative
NDR	Non-distributable reserve
NGO	Non-government organisation
NPAT	Net profit after tax
NPI	Net property income
OCI	Other comprehensive income
OHS Act	Occupational Health and Safety Act No 85 of 1993
pa	Per annum
PI	Property Investment Group
PIC	Public Investment Corporation (SOC) Limited
PMS	Performance Management System
PoPI	Protection of Personal Information Act
PV	Photovoltaic
QLFS	Quarterly labour force survey
RBA	Reserve Bank Australia
REIT	Real Estate Investment Trust
Remco	HR and Remuneration Committee
RFP	Request for proposal
RIMS	Risk information management system
RSA	Republic of South Africa
RSA Exco	RSA Executive Management Committee
SABS	South African Bureau of Standards
SARB	South African Reserve Bank
SA REIT	South African Real Estate Investment Trust
SAFMA	South African Facilities Management Association
SAIBPP	South African Institute of Black Property Practitioners
SANS	South African National Standards
SAPOA	South African Property Owners Association
SAPY	South African listed property index
SBTs	Science-based targets
SENS	Securities Exchange News Service

ABBREVIATIONS continued

SLA	Service level agreement
SME	Small medium enterprises
SOP	Standard operating procedure
STI	Short-term incentive
Sycom	Sycom Property Fund
tCO_2e	Tonnes of carbon dioxide emissions
The Act	Companies Act, No 71 of 2008
Tiber	Tiber group of companies
TFR	Total fixed remuneration
TR	Total return
The Board	The Board of Directors of Growthpoint Properties Limited
The company	Growthpoint Properties Limited
The Group	Growthpoint Properties Limited Group
USD	United States Dollar
US	United States
V&A	V&A Waterfront
VAT	Value added tax
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WALE	Weighted average lease expiry
WAN	Wide area network
WCDE	Western Cape Department of Education
WPN	Women's Property Network
WSE	Warsaw Stock Exchange
WTTC	World Travel and Tourism Council
WULA	Water user licence application
ZAR	South African Rand

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