GROWTHPOINT PROPERTIES

Integrated annual report 30 June 2018

Growthpoint 2018

Report scope and boundary

This report covers the period from 1 July 2017 to 30 June 2018 (FY18) 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) and Globalworth Poland Real Estate (GPRE). These businesses have been depicted in a simplified ownership and legal structure on page 19.

Our reporting suite

GROUP ANNUAL FINANCIAL STATEMENTS (AFS)

The statutory AFS are prepared in accordance with International Financial Reporting Standards (IFRS), JSE Listings Requirements and the requirements of the Companies Act, No 71 of 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.

Inside this report

@growthpoint.com

http://www.linkedin.com/company/growthpointlimited

http://www.youtube.com/growthpointlimited

This icon denotes cross-referencing and further reading between sections

ANNUAL GENERAL MEETING (AGM) NOTICE

The booklet containing the AGM notice also includes the summarised audited AFS for FY17, 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.

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:

First line of assurance

Line functions that own and manage risk and opportunity.

Second line of assurance

Specialist functions that facilitate and oversee risk and opportunity.

Third line of assurance

Internal assurance providers that provide objective assurance.

Fourth line of assurance

External assurance providers.

Fifth line of assurance

Board committees and Board.

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 September 2018 and is signed on its behalf by:

LA Finlay
Chairman of the Audit Committee

LN Sasse
Chief Executive Officer

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.

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.

Materiality and the **reporting boundary**

This report covers the period from 1 July 2017 to 30 June 2018 (FY18) 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 a share in the V&A and Funds Management, as well as the non-South African interests, including GOZ, a share in GWI and GPRE. These businesses have been depicted in a simplified ownership and legal structure diagram on page 19.

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 the 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, including non-financial items beyond the scope of reporting on financial 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 approach
- Management and employee contributions
- Operational management and developments
- Contribution to society
- Approach to and incorporation of environmental issues
- Financial factors and indicators
- Group investments

Each area of business is linked to the business strategy with both risks and opportunities 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.

The report is targeted at existing and prospective stakeholders 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. It focuses primarily on meeting the needs of shareholders, analysts and investors.

This report is part of a suite of reports issued at the financial year end and should be read in conjunction with the annual financial statements (AFS), annual general meeting notice (AGM notice) and the environmental, social and governance (ESG) report.

Ethics

The Growthpoint's code of ethics has been approved by the Board of directors (the board) and senior management 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 the we will reconsider its 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 and procedures available on the website or upon request.

How we **performed in 2018**

Financial highlights

6.5%
distribution growth from FY17 to 208.6 cents per share

10.1%
increase in distributable income FY17 to R6.1bn

2 556 cents
Group NAV per share

R6.1bn

Group LTV at
35.2%
from 35.0% at FY17

9th year
inclusion in FTSE/JSE Responsible Index

R5.9bn
average value of shares traded per month

R133bn
Group property assets

Participant of:

FTSE4Good

GRESB REAL ESTATE Member

CDP DRIVING SUSTAINABLE ECONOMIES

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

JSE

SAPOA PROPERTY DEVELOPMENT AWARDS FOR INNOVATIVE EXCELLENCE

THE INVESTMENT ANALYSTS SOCIETY OF SOUTH AFRICA

A2X MARKETS

3.7x

Group interest cover increased from 3.5x in FY17

27.7%

of Group property assets located offshore and

20.5%

of Group EBIT from offshore

Market capitalisation

R79.3bn

Investment proposition:

- Sustainable quality of earnings
- 15-year track record of uninterrupted dividend growth
- Underpinned by high-quality physical property assets
- Diversified across international geographies and sectors
- Dynamic and proven management track record
- Best practice corporate governance
- Transparent reporting
- Level 3 B-BBEE contributor

CSR impact

Financial
Collective investment in CSR of R35.9m

Human
Active in seven provinces

Social
Total of 4 046 beneficiaries

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.

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.

Five-year journey of value creation

Property asset
103.0%
R59.8bn to R132.9bn

Market capitalisation
58.9%
R49.9bn to R79.3bn

Distribution per share
40.0%
149.0 cents to 208.6 cents

111
properties disposed of since 2013

144
new properties were acquired since 2013

	FY18 cents	FY17 cents	Change %
Interim dividend	**101.2**	95.0	6.5
Final dividend	**107.4**	100.8	6.5
Total dividend	**208.6**	195.8	6.5

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:

- Distributions received by resident shareholders are taxed as a dividend for income purposes, but are not exempt in terms of the usual dividend exemption and are accordingly exempt from dividend withholding tax. The dividends represent income in the hands of the recipient.
- Distributions 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.

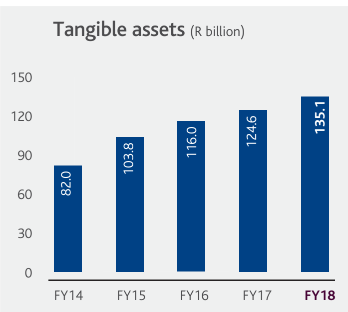
Shareholders are encouraged to consult their professional tax advisers if they are in any doubt about the tax implications for distributions received from Growthpoint.

Our earnings are generated from our property portfolio's rental stream. We distribute 100% of our revenue profits twice a year in the form of dividends. These regular distributions should continue to provide sustainable annuity income.

- Our **total property assets were valued at R133.0bn** which includes **100% of GOZ**, Growthpoint's **50% interest in the properties of the V&A** and **29% interest in GWI**
- We own a quality portfolio of **512 properties** in RSA and Australia providing **6.7m m²** of retail, office and industrial space
- The **57 properties in GOZ were valued at R33.6bn** of which we own 65.5%
- Growthpoint's **29% interest in GWI was valued at R5.1bn**
- Growthpoint's **21.6% interest in GPRE was valued at R2.9bn**
- Growthpoint's **50%** interest in the properties of the **V&A Waterfront was valued at R9.1bn**
- The **454 properties in RSA** (excluding the V&A Waterfront) were **valued at R78.6bn**
- During FY18, we generated **distributable earnings of R6.1bn**
- **We employ 610 people in three regional offices** and at properties in RSA
- **GOZ and the V&A Waterfront are independently managed**, each having their own staff complement

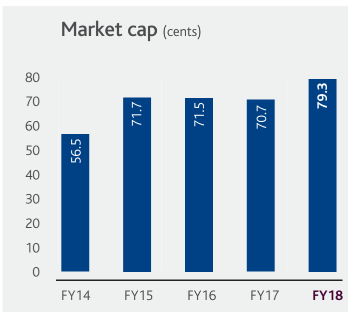
For more information about our shares and shareholders, please refer to the annual financial statements

16.6% CAGR



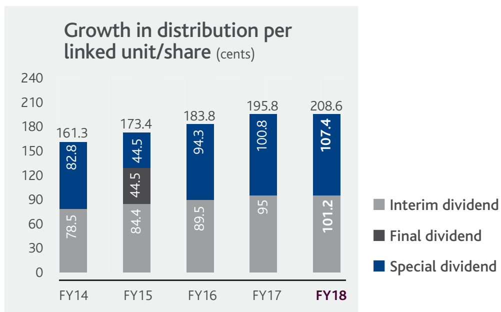
Growing a portfolio of quality assets and investments Increase of 8.4% on FY17

9.7% CAGR



Increase in market capitalisation of 12.1% from FY17

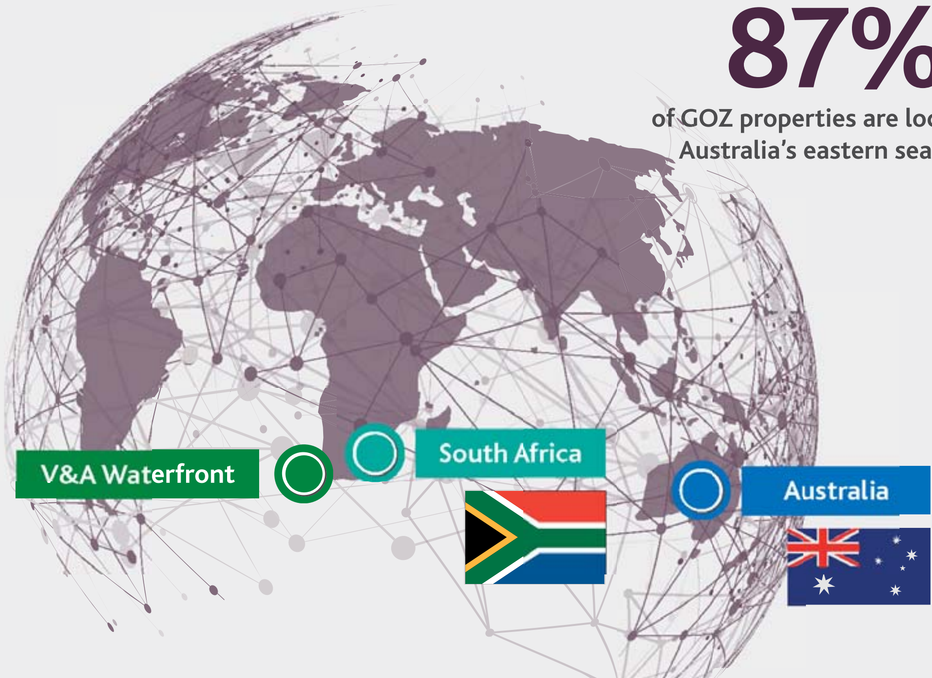
7.0% CAGR



Delivering sustainable growth Increase of 6.5% on FY17

Our **footprint**

Our retail and office portfolios in RSA are the largest of their kind and our industrial business is among the country's largest portfolio of industrial assets. We own 57 properties through our 65.6% holding in GOZ.



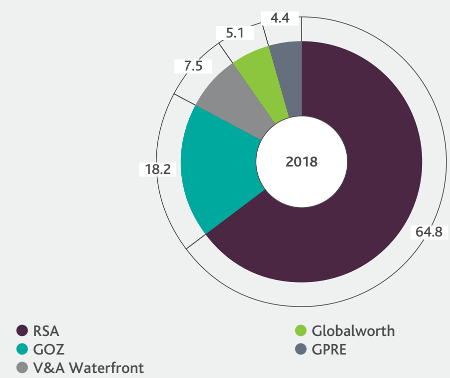
87%

of GOZ properties are located on Australia's eastern seaboard

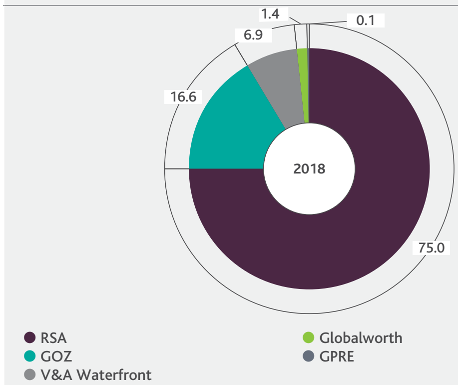
5 141 401 m²

of space was occupied as at FY18 in our South African portfolio (excluding V&A)

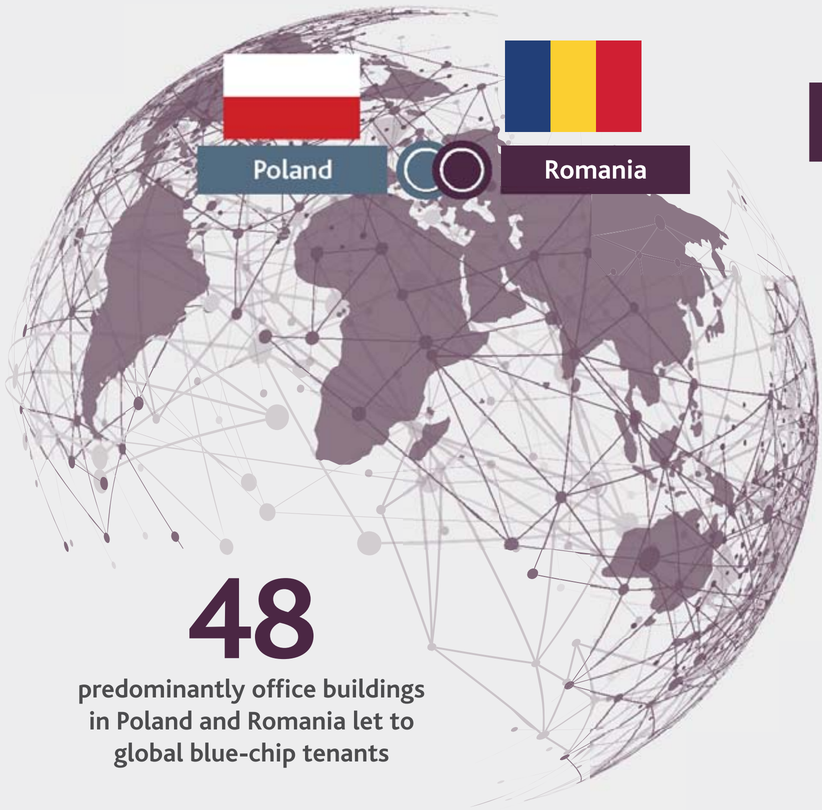
Property portfolio by value (%)



Net property income (%)



In Central and Eastern Europe we expanded our investment in Poland with our 21.6% stake in GPRE and increased our investment by 29.0% in GWI.



Swapped USD425m to

EUR350m

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.

48

predominantly office buildings in Poland and Romania let to global blue-chip tenants

Our Group investments delivered good performance. We issued our inaugural US Dollar-dominated Eurobond with a five-year maturity. The Eurobond issue served to diversify our offshore investors in sync with our internationalisation strategy.

ORGANISATIONAL OVERVIEW

IN THIS SECTION

Discovery Place, Sandton


Discovery

Driving our **strategy**

In line with our vision "to be a leading international property company providing space to thrive", we continued to pursue our three strategic thrusts in FY18.

Introducing new revenue streams

Funds Management business

The Funds Management business is a "capital light" strategy for Growthpoint. It follows a business model that is prevalent in Australia where many of the major listed funds have separate unlisted funds into which third parties invest. Growthpoint's strategy is to build a R15bn Funds Management business over five years. Growthpoint aims to hold some 20% of each fund, with third parties investing approximately 40% and with gearing of up to 40%.

Growthpoint will earn a management fee based on 1% to 2% either of net asset value, or gross asset value for each fund. Given that the funds are REITs, Growthpoint will earn distributions for the investment it will hold in each fund.

Strategy in action

The inaugural capital raises for both Growthpoint Investec African Properties (GIAP) and Growthpoint Healthcare Property Holdings (GHPH) have been successfully concluded.

Growthpoint and Investec Asset Management, in partnership with the International Finance Corporation (IFC), announced the start of their pan-African real estate investment business, GIAP, which is managed by Growthpoint Investec African Property Management. The fund has secured capital commitments of USD212m from several large institutional and international investors, with Growthpoint committing USD50m. The fund will seek to invest in income-producing commercial real estate assets in select cities across the African continent. Targeted investments will be further diversified by sector, with GIAP's mandate spanning office, retail and industrial properties.

The healthcare fund has secured capital commitments of R285m. It is expected to raise at least double that again in the next 12 months. The fund already holds five assets in the defensive healthcare property sector valued at R2.5bn. It also has a R750m pipeline of hospital developments. A new R450m specialist hospital broke ground in June 2018 and discussions about another R300m specialised facility are at an advanced stage. The fund has several acquisition and development opportunities on the horizon, which are being evaluated.

Trading and Development

Historically, Growthpoint only developed for its own balance sheet. The value of investment in our own developments is capped at 10% of the RSA portfolio value. So, under this strategic thrust we are taking advantage of opportunities to develop assets for third parties while also taking a short-term view on certain investments with the intention to trade out of them and earn trading profits. The value of projects pre-identified as opportunities for trading and for development for third parties will not exceed 5% of the value of the RSA portfolio.

By taking active positions in assets with the intent to trade them or by developing properties for sale to third parties, we become a more agile partner for our clients. We assist them in realising their real estate strategies, whatever they may be. We can offer solutions to clients that want to become owner-occupiers of their own properties. There is a natural synergy between these activities and Growthpoint's long-established business undertakings.

We continue to build a sustainable pipeline of opportunities that we believe should contribute between 1% and 2% of distributable income going forward.

Optimising and streamlining the existing portfolio

Strategy in action

Altogether 30 individual asset sales totalling c. R4bn took place in FY18 and have either been concluded or are in the process of being finalised. The most noteworthy transaction was the sale of Investec Sandton to Investec Bank Limited for R2.2bn. The lease has six years left to run and should Investec have chosen not to renew it would be a difficult building to re-let given its size, design and specifications for a single tenant. We acquired the asset for R1.25bn in 2004. The building was sold for R2.2bn.

A portfolio of office, industrial and retail properties with a total value of about R6bn was offered to the market in February 2018. We are now in advanced stages of negotiating with a BEE party. Given the size and scale of the transaction we expect the deal to be concluded in the second half of the 2018 calendar year.

Internationalisation

We are now two years into this five-year strategy. We would like our offshore investments to contribute 30% to 40% to the Group by both book value of property assets and by earnings before interest and tax.

Strategy in action

The growth of our offshore business remains a key driver for Growthpoint. We continue to support GWI, GRPE and GOZ in their growth trajectories, while also looking for other opportunities.

Growthpoint currently owns 29% of GWI and 21.6% of GPRE, a 68.4% held subsidiary of GWI. FY18 saw us expand our international footprint into Poland with our investment in GPRE. We have invested a total of EUR450m into CEE since December 2016 and GWI remains our entry point into the region.

The book value of our assets is 27.7% and 20.5% of earnings before interest and tax are now offshore as we continue to offer investors a defensive property investment diversified by both geography and sectors.

Business model and **value creation**

INVEST

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

Objectives	Opportunities
Seek suitable investment opportunities both locally and internationally which fit our business strategy	**South Africa** • Non-core properties identified for sale • Strong demand for retail, office and residential space at the V&A Waterfront • Cost of occupancy below international norms • Leverage development capabilities and experience to deliver occupancy that is relevant to tenant needs **Australia** • Low interest rates, capitalisation rates and inflation • Positive yield spreads • Stable property fundamentals • Sound GDP growth • Experience in the market **Central Eastern Europe** • Better growth than Western Europe • High and positive yield spreads • Attractive to global corporates due to lower costs **Africa** • East, West and Southern Africa (excluding RSA) • Joint participation by third-party institutional investors • Grow an African fund to an optimal size for a possible major stock exchange listing • Pricing of assets attractive
Maintain a limited trading and development programme tailored to market risks and opportunities	• External trading and development • Internal development and redevelopment • Tailor-made assets to retain and attract quality clients

FINANCE

Access all available sources of funding to minimise the cost of capital while maintaining gearing levels

Objectives	Opportunities
Sustain a strong balance sheet through conservative gearing and credit metrics that are well within covenants	• Offshore investments hedged using cross-currency interest rate swaps
Optimise the cost of capital by having access to all available forms of funding	• Local and international debt capital markets including green bonds • Unsecured long-term funding • Equity raising utilising the distribution reinvestment plan • Cross-currency interest rate swaps
Limit exposure to interest rate fluctuations by fixing rates over periods matching loan expiry profiles	• Limiting the extent of interest rate increases on the cost of finance • Keeping finance costs predictable with high level of certainty • Reducing earnings volatility

OWN

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

Objectives	Opportunities
Maintain a sectorally and geographically diversified portfolio of quality properties to take advantage of opportunities, market conditions and user demand	• The design of new and refurbished buildings to achieve a minimum GBCSA 4-Star Green Star SA rating • Tailor-made assets to retain and attract quality clients • Refurbishment and redevelopment of retail assets

DISTRIBUTE EARNINGS

Grow income and distribute this as dividends to shareholders

Objectives	Opportunities
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	• Identifying strategic thrusts and enablers to create sustainable value • Fund management – Africa and Healthcare funds • Diversify geographical contribution to distributable income • Create sustainable profits from trading and development income

EARN RENTAL

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

Objectives	Opportunities
Optimise the letting of available space to financially sound tenants with long leases	• Innovative and sustainable property solutions (e.g. Smartmove, UNdeposit, Green Lease Addendum and Thrive) • Generate additional revenue through value-added services or products • Facilitate an online business-to-business network for clients

MANAGE

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

Objectives	Opportunities
Preserve and enhance the value of properties through ongoing maintenance, upgrading, refurbishment and enhancement	• Improved net property income • Preservation of property asset values
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	• Transformation through diversity and inclusiveness • Internal consolidation • Foster entrepreneurial spirit • Creating and driving a culture of performance
Provide the highest level of service to stakeholders	• Efficiencies in property management processes • Vertical integration of key suppliers of business services

Financial *Human* *Intellectual* *Manufactured* *Social* *Natural*

Risks	KPIs	Risk appetite	Target	Performance	Capital impacted
RSA • Weak property fundamentals • Low economic growth cycle • Sovereign credit rating downgrades and political risks • Negative yield spreads • Poor business confidence • Increasing supply	**South Africa** • Property assets as a percentage of total portfolio • Sector diversification	• 60% – 70% • Retail 45% Office 35% Industrial 20%	Long term	• RSA 72.3% • Retail 38% Office 45% Industrial 17%	
Australia • Competitive market with limited opportunities • Availability of excess global capital driving yields lower **CEE** • The continuation of the European Union in its current format • Political uncertainty • Regulatory environment **Africa** • Economies that are highly reliant on commodities • Political uncertainty • Regulatory environment • Poor liquidity • Raising of capital challenging	**International** • Offshore property assets as a percentage of total portfolio • Sector diversification	30% – 40%	Long term	27.7%	
Trading and development • Break-even letting of developments not attained • Financial loss on external trading and development	• Yield > than comparable completed let building	<10% of RSA property and <5% external portfolio R1bn per project > 65% pre-let	Medium term	1.5%	

Risks	KPIs	Risk appetite	Target	Performance	Capital impacted
• Lower property valuations resulting in higher loan-to-value ratios • Breaching of loan covenants	• Loan-to-value ratio • Moody's rating	• 40% loan-to-value • Investment grade rating	Medium term	• 35.6% • Baa3	
• Inward listing of foreign property companies • Size of loan book	• Debt expiry profile • Secured versus unsecured debt	• Three years • 70/30	Medium term	• 3.7 • 45.7/54.3	
• Interest rates rising • Global yield curve rising and the impact on share price	• Interest rate hedging	• A minimum rolling 12-month fixed-to-floating ratio on debt of 75% • > 2.0x interest cover	Medium term	• 81.3% • 3.6	

Risks	KPIs	Risk appetite	Target	Performance	Capital impacted
• Deteriorating infrastructure and service delivery • Uncertainty regarding land ownership rights	• RSA property assets as a percentage of total portfolio • Sector diversification	• 60% – 70% • Retail 45% Office 35% Industrial 20%	Long term	• 72.3% • Retail 38% Office 45% Industrial 17%	

Risks	KPIs	Risk appetite	Target	Performance	Capital impacted
• Failure to implement strategy • Technology innovation by market disruptor • Defensive nature of portfolio limits the extent of outperformance	• Dividend growth in absolute terms • RSA property distribution as a percentage of total portfolio • Offshore property distribution as a percentage of total portfolio	• > CPI + 1% • 60% – 70% • 30% – 40%	Long term	• 6.5% • 79.7% • 20.3%	

Risks	KPIs	Risk appetite	Target	Performance	Capital impacted
• Major tenant failure • Increase in vacancies • Increase in energy prices • Downward pressure on rentals	• Gross revenue growth • Overall vacancies • Total arrears (as a percentage of collectables)	• > 7% • < 7% • < 10%	Short term	• 4.5% • 5.4% • 5.7%	

Risks	KPIs	Risk appetite	Target	Performance	Capital impacted
• Margin pressure on net property income • Overcapitalisation of properties	• Property expense-to-income ratio • Operating expense-to-income ratio	• < 27% • < 5%	Short term	• 23.8% • 3.7%	
• 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 • Compliance • Overall management review • Industry participation	Not definable	Not definable	Not definable	
• Inefficient property management processes • Resistance to change	• Property expense-to-income ratio • Operating expense-to-income ratio	• < 27% • < 5%	Short term Short term	• 23.8% • 3.7%	

Stakeholder **engagement**

Our stakeholder categories and our approach to engaging with each of them are presented below.

STAKEHOLDER	ENGAGEMENT WITH STAKEHOLDER	STAKEHOLDER CONTRIBUTION
Investors	• Presentations including bi-annual results presentations • Roadshows • Investor conferences • Pre-close calls • Site visits • JSE SENS announcements • Media announcements • Surveys • Webcasts • One-on-one meetings	The provision of financial capital to grow the business
Employees	• Electronic communication • Intranet • Presentations • Induction, training and development • Wellness days • Total reward statements	Employees form the foundation of our business and provide the performance and productivity required to grow and sustain the business
Business partners – Tenants	• Personal interaction and meetings • Information events • On-site property teams • Operational notices • Safety notices and practice drills • Print communication	The letting of available space which enables Growthpoint to sustain and grow its business
Business partners – Suppliers	• Request for Proposals (RFPs) • Preferential payment terms • Property Point's enterprise development programme • B-BBEE preferential procurement	The provision of services which will preserve and enhance our properties
Government and regulatory bodies	• Formal responses on policy and regulation • Joint initiatives for industry solutions • B-BBEE scorecards • Employment equity reports • Tax returns • Workplace skills development plan	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
Business partners – Property brokers	• Website • Incentive programmes • Twitter and Facebook • One-on-one presentations and engagement	The letting of available space which enables Growthpoint to sustain and grow its business
Providers of finance	• Bi-annual results presentations • Roadshows • One-on-one meetings • JSE SENS announcements • Media announcements • Website	The provision of funding to grow the business
Industry and business organisations	• Active involvement on boards and committees • Presentations at conferences and congresses • Involvement in Real Estate Investment Trust (REIT) Association, South African Property Owners Association (SAPOA) and the Green Building Council of South Africa (GBCSA) • Member of European Public Real Estate Association (EPRA) • A member of the National Business Initiative	The collective and consensus opinion of the participants which enables industry and business organisations to influence and impact matters that affect them and their operations
Communities	• CSI initiatives in general • CSI initiatives at our properties • Bursaries • Environmental initiatives • Involvement in city improvement districts	An understanding of social, economic and environmental impacts on the communities in which we operate

MEETING OF STAKEHOLDER EXPECTATION	FY18 INITIATIVES
Providing growing distributions on an annual basis with the objective of 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 Offering investors an investment opportunity with a strong management team that has a proven track record; that adheres to high levels of corporate governance and transparent reporting	• Shareholder engagement on new remuneration structure • Inaugural investor perception study conducted • Introduction of new revenue streams from Funds Management and Trading and Development
Using and growing the skills of employees and retaining the best people by appropriate reward and remuneration	• Integrated transformation strategy • Succession management • Talent management
Providing the highest level of service to tenants which will enable them to thrive, grow and sustain their businesses	• Implementation of a customer relations management (CRM) system • Increasing uptake of UNdeposit option • Introduction of "Thrive Portfolio" comprises buildings rated by both SAPOA and GBCSA
Providing sustainable business and growth opportunities which are mutually beneficial in a transparent and equitable manner	• Implemented new procure-to-pay system • Reduction of active approved suppliers • Working with suppliers to ensure compliance
Growthpoint acts in a responsible, ethical and transparent manner	• Ongoing engagement through SA REIT Association with National Treasury on tax-related matters
The provision of quality properties to take advantage of opportunities, market conditions and user demand	• Broker incentive benefits broadened and enhanced
The timeous payment of interest and capital underpinned by a strong balance sheet and credit metrics that are well within covenants	• Moody's national scale rating of Aaa.za • First corporate Green Bond in RSA for R1.1bn • Inaugural US Dollar-denominated Eurobond of USD425m
The sharing of experience and expertise which will mutually benefit the property industry and related organisations	• A senior manager was appointed to the board of GBCSA • Ongoing engagement through SA REIT Association with National Treasury on tax-related matters
Impacting the communities in which Growthpoint operates in a positive manner	• Expansion of Growthpoint GEMS support to children of lower income-earning staff • Education investment in new underserviced regions • R28.1m invested with 4 047 beneficiaries inducted

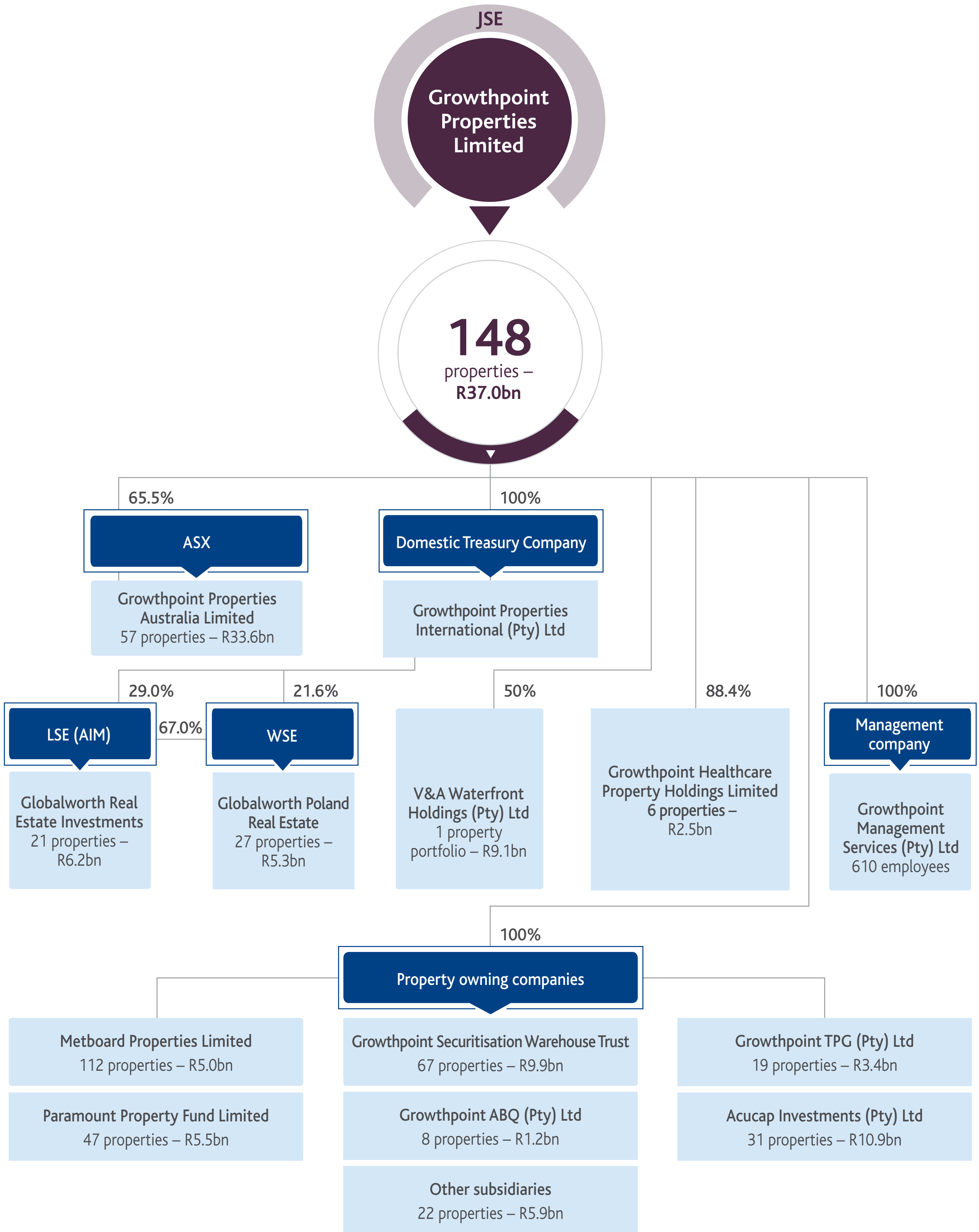
Governance and **management structure**

Growthpoint Properties Limited

- **Independently managed**
  - **GOZ**
    - BOARD
      - Audit, Risk and Compliance Committee
      - Remuneration Committee
    - Managing Director
    - Executive team
    - Property management function outsourced
  - **V&A**
    - BOARD
      - Property and Audit 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
    - Chief Executive Officer and Deputy CEO
    - Executive Committee
    - In-house property management function
- **Managed (South African portfolio – excluding the V&A)**
  - BOARD
    - Audit Committee
    - Nomination Committee
    - Property Committee
    - Human Resources and Remuneration Committee
    - Risk Management Committee
    - Social, Ethics and Transformation Committee
  - Group Chief Executive Officer and Chief Executive Officer: RSA
  - Executive committees (Group and RSA)
  - 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
  - Group Services

** GPRE is a subsidiary of GWI, GPRE is controlled by GWI.*

Simplified ownership and **legal structure**



Board of **Directors**

FRANCOIS MARAIS (63)
Chairman
Non-executive
Appointed to the Board in 2003
BCom, LLB, H Dip (Company Law)

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

NORBERT SASSE (53)
Group Chief Executive Officer
Appointed to the Board in 2003
BCom (Hons) (Acc), CA(SA)

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 Africa 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

ESTIENNE DE KLERK (49)
CEO: RSA
Appointed to the Board in 2008
BCom (Industrial Psych),
BCom (Hons) (Marketing),
BCom (Hons) (Acc), CA(SA)

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 Regulatory and Tax Committee

Skills and expertise: Financial, general management and property

Professional membership: SAICA, IAS member

GERALD VÖLKEL (57)
Group Financial Director
Appointed to the Board in 2013
BAcc, CA(SA)

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

OLIVE CHAUKE (47)
Director of Human Resources
Appointed to the Board in 2018
Bachelor of Social Science,
Advanced Programme in
Strategic Management from
Henley Business School

Career: 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

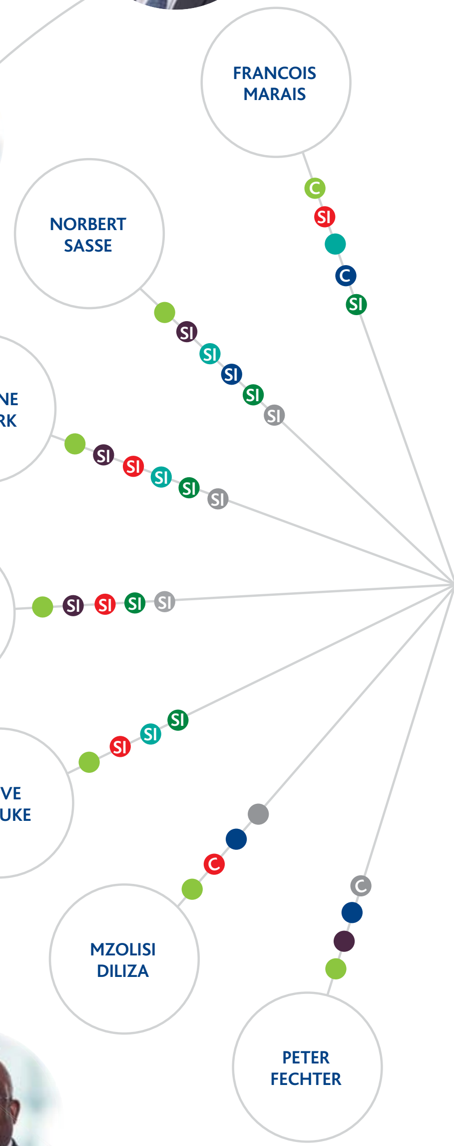
Professional membership: South African Board of People Practices

MZOLISI DILIZA (69)
Non-executive, BEE structure stakeholder
Appointed to the Board in 2001
BCom, BBus and BAdmin (Hons)

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 Southern Africa



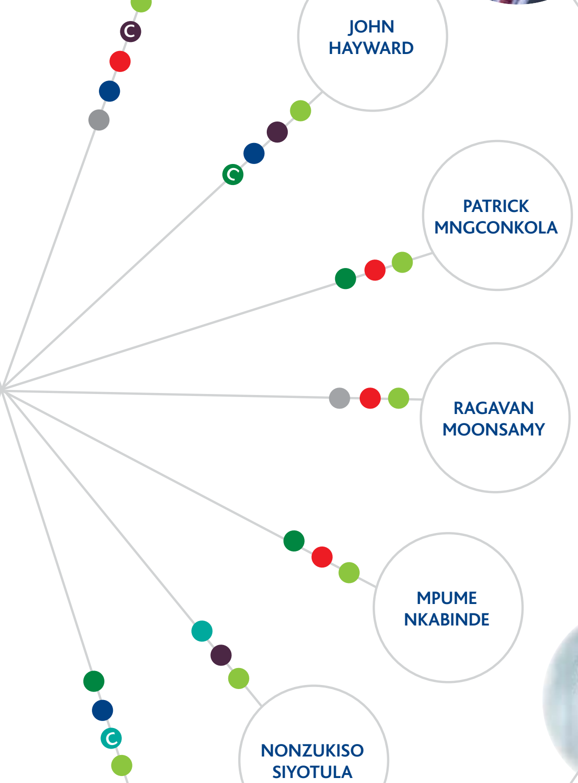
PETER FECHTER (72)
Non-executive
Appointed to the Board in 2003
BSc (Eng)

Career: Broad-based management and direction of businesses in the building construction, commercial and industrial property development arena, resulting in broader direction of associated investment companies. Non-executive director of GWI

Skills and expertise: Broad expertise in building construction, property development and property investment arena

- Board
- Audit Committee
- Social, Ethics and Transformation Committee
- Remuneration Committee
- Nomination Committee
- Risk Management Committee
- Property Committee

SI = Standing invitation
C = Chairman



LYNETTE FINLAY (58)
Independent non-executive
Appointed to the Board in 2009
BCompt (Hons), CA(SA)

Career: Director of Emerging African Property Holdings (Pty) Ltd, first female President of South African Property Owners Association (SAPOA) and winner of the first "5 Star Woman Award" awarded to women in the property industry

Skills and expertise: Property portfolio investments and all aspects of commercial property including management, development and leasing

Professional membership: SAICA, EAAB (SA) Registered Estate Agent

JOHN HAYWARD (67)
Lead Independent Director
Independent non-executive
Appointed to the Board in 2001
BSc (Hons)

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

PATRICK MNGCONKOLA (56)
Non-executive
Appointed to the Board in 2012
BTech (Business Admin), BA (HR Management), National Diploma Police Admin, Certificate: Forensic Investigative Auditing (Unisa)

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 Southern Africa

RAGAVAN MOONSAMY (54)
Independent non-executive
Appointed to the Board in 2005

Career: Founder of Kascara Financial Services (Pty) Ltd, Managing Director of UniPalm Investment Holdings (Pty) Ltd and director of Qmuzik Technologies (Pty) Ltd

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

MPUME NKABINDE (58)
Independent non-executive
Appointed to the Board in 2009
MBA, Honours in HRD, Bachelor of Social Science, Diploma in Adult Education, Postgraduate Diploma in Property Development and Management

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

NONZUKISO SIYOTULA (34)
Independent non-executive
Appointed to the Board in 2018
BAcc, CA(SA), ACMA, MBA

Career: Former CEO of Thebe Capital. Prior to joining the Thebe Group, held various senior positions at Barclays Africa Group, Old Mutual Retail Mass, Royal Bafokeng Holdings and South African Breweries. Serves on a number of non-profit, public and listed boards

Skills and expertise: Expertise in general management, finance, corporate governance, base strategy, restructuring, business development, sales and distribution, mergers and acquisitions

Professional membership: SAICA, CIMA, Institute of Directors of Southern Africa, The African Women Chartered Accountants Forum, the Association of Black Securities and Investment Professionals, International Women's Forum, Young Global Leader at World Economic Forum

ERIC VISSER (66)
Independent non-executive
Appointed to the Board in 2001
BCom (Hons)

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

Group executive **management forum**

* Executive directors

Group CEO
Norbert Sasse*
(53)

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

Nineteen years' experience in listed property

CEO: RSA
Estienne De Klerk*
(49)

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

Eighteen years' experience in listed property

Group FD
Gerald Völkel*
(57)

BAcc, CA(SA)

Thirty-three years' experience in finance management

Human Resources Director
Olive Chauke*
(47)

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

Twenty-one years' HR experience gained in both private and public companies

Chief Operating Officer: RSA
Engelbert Binedell
(48)

BA (Ed), MBL

Twenty-one years' experience in listed property

Group Treasurer
Dirkje Bouma
(46)

MSc Finance, CFA

Twenty-two years' financial and treasury experience

Head of Corporate Finance
George Muchanya
(46)

BSc Eng, MBA, ACFP

Twenty-three years' experience spanning engineering, management consulting and the property industry

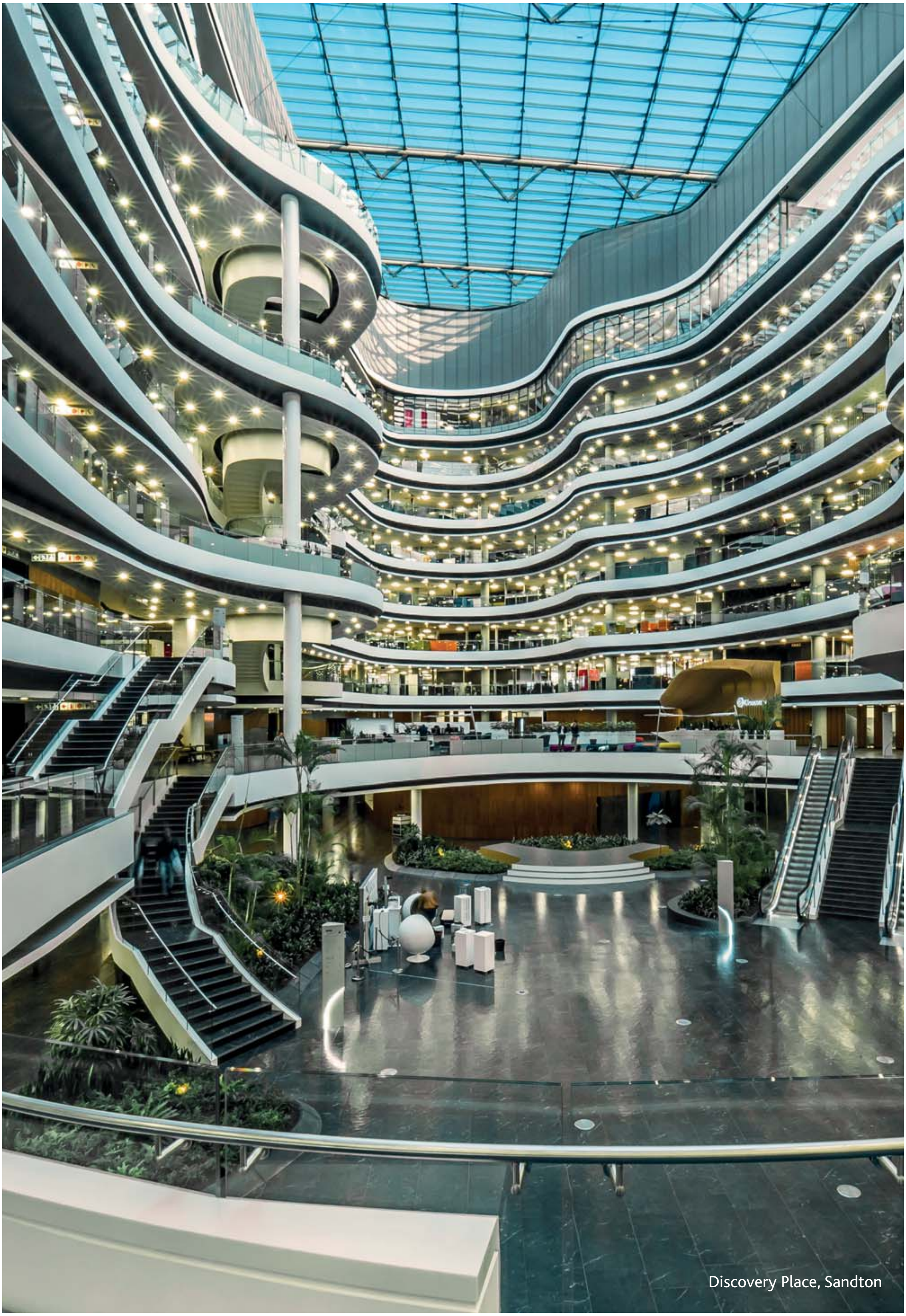
Chief Development and Investment Officer
Rudolf Pienaar
(58)

Thirty-two years' property experience

Head of Investor Relations
Lauren Turner
(42)

BCompt (Hons)

Seventeen years' financial markets experience



Discovery Place, Sandton


CARLIEN
ON THE BOULEVARD
HANDS
DOWN
PARKING

PERFORMANCE REVIEW

IN THIS SECTION

The Boulevard, Umhlanga Ridge

Independent economic **overview**

By: **Wynand Smit (CFA)**
Real Estate Analyst
Anchor Stockbrokers

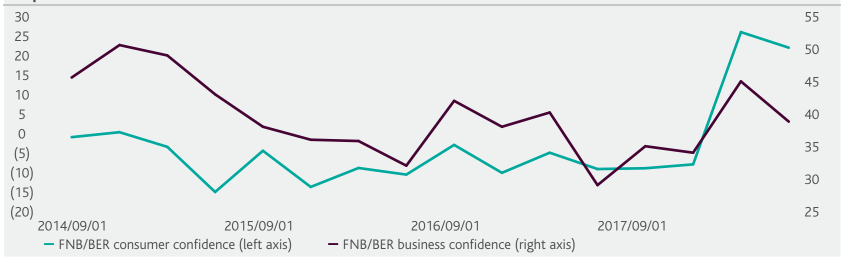
South Africa

There has been a renewal of confidence in South Africa since Cyril Ramaphosa was elected president of the ruling African National Congress (ANC) in December 2017 – and then as president of South Africa following Jacob Zuma's resignation in mid-February.

The new president swiftly set out to turn around Zuma's troubled nine-year presidency, which was marked by runaway corruption, the collapse of state-owned enterprises, a stagnating economy and ongoing corruption allegations against Zuma himself. In his first Cabinet reshuffle, Ramaphosa reappointed Nhlanhla Nene as finance minister and Pravin Gordhan as minister of public enterprises – a move widely welcomed as a good start to the new president's promise to clean up government.

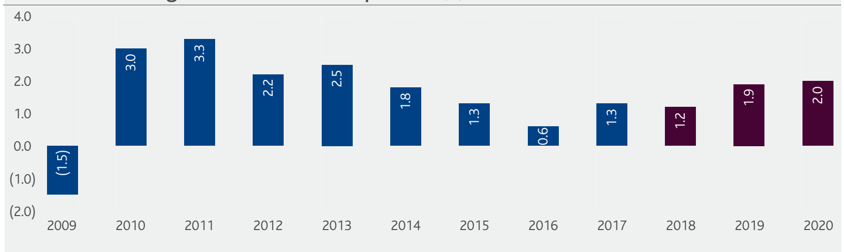
Other positive events included a robust 2018 budget review, which showed the government's focus on fiscal consolidation, and the decision by Moody's Investor Services to affirm South Africa's credit rating at investment grade, while revising its economic outlook from negative to stable.

Improvement in SA consumer and business confidence

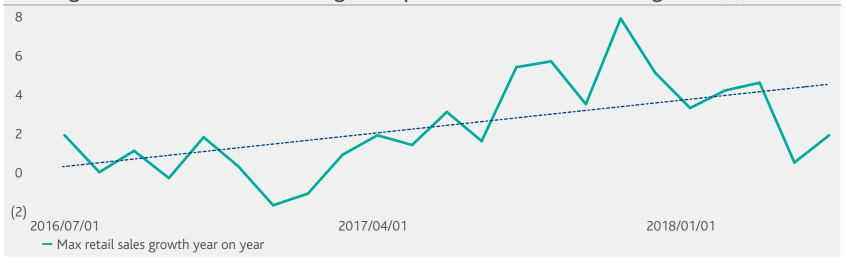


Source: Stats SA and Anchor Stockbrokers.

South Africa GDP growth remains under pressure (%)



Although still subdued, there is a marginal improvement in SA retail sales growth (%)



These all helped to improve business and consumer confidence over the first two quarters of 2018. However, the one percentage point rise in value added tax (VAT) from 14% to 15%, a historically high fuel price on the back of elevated global oil prices, a weaker Rand and higher fuel taxes have combined to keep local consumers under severe financial pressure and to depress disposable income growth.

In addition, populist rhetoric and policies, including the possible amendment of section 25 of the Constitution to allow for expropriation of land without compensation, are raising concerns among investors and could stymie Ramaphosa's ambitious plan to attract R1.2trn worth of foreign investment to South Africa over the next five years.

What is more, the change in the political landscape has yet to filter through to economic growth. Real GDP shrank at an annualised rate of 2.2% in the first quarter of 2018 – the biggest quarterly contraction since the global financial crisis. This was mainly because of output pressure from the agriculture, mining and manufacturing sectors. Furthermore, the South African Reserve Bank (SARB) lowered its full-year 2018 GDP growth forecast from 1.7% to 1.2% in July, although it did upgrade its 2019 projection from 1.7% to 1.9%.

At its July meeting, the SARB's Monetary Policy Committee (MPC) kept the repo rate unchanged at 6.5%, after reducing it by 25 basis points in March. At the meeting, the MPC's inflation forecast for 2018 was relatively flat at 4.8%, but that for 2019 increased from 5.2% to 5.6%. This higher medium-term inflation outlook, coupled with rising interest rates globally, will most likely lead to an increase in the repo rate in the medium term.

In terms of the outlook for the Rand and local bond yields, much will depend on whether there is a full-scale trade war between China and the United States (US). Such an event would result in lower global trade volumes and slower global economic growth. Emerging markets such as South Africa are vulnerable to a trade war because exports are a key ingredient of its economic growth. Rising US interest rates and bond yields, coupled with a stronger US Dollar, also weaken the investment case for high-yield emerging markets, potentially dampening foreign capital investments into these countries.

Compared with other emerging markets, South Africa has competitive advantages which include a prudent monetary policy framework and an improved political landscape. However, increased levels of risk aversion globally will most likely continue to weigh on emerging market currencies and capital markets in the short to medium term.

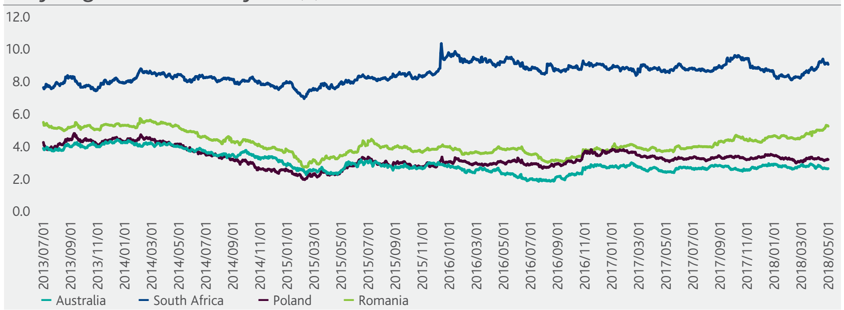
Australia

There has been a slight pick-up in Australia's economic growth on the back of robust non-mining business investment, public infrastructure investment and strong employment growth. The Reserve Bank of Australia (RBA) is now forecasting GDP growth of more than 3% for both 2018 and 2019 following the 2.4% achieved in 2017. The low interest rate environment also continues to support the Australian economy.

Inflation remained low in 2017 at 1.9%, reflecting low growth in labour costs and strong competition in the retail sector. Inflation forecasts for the next three years are just above 2%. However, the strengthening economy should help to reduce the unemployment rate even more and to boost the inflation rate to the midpoint of the RBA's 2% to 3% target range over the medium term. These improvements are, however, expected to be gradual and the RBA has accordingly decided that there is not a strong case for a near-term adjustment in its cash rate, which is currently 1.5%.

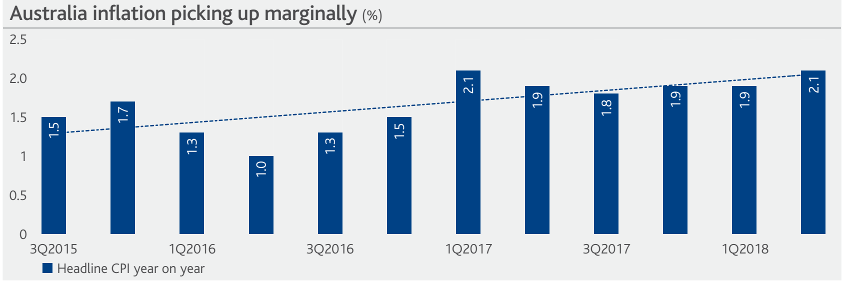
A key risk for Australia's economic prospects is that household debt has grown faster than household income over the past three decades. This has been fuelled by lower interest rates and

10-year government bond yields (%)



Source: Bloombergs.

Australia inflation picking up marginally (%)



Australia has delivered 28 consecutive years of economic expansion (%)

Independent economic **overview** continued

financial deregulation. A relatively high portion of the Australian housing market is owned by the private sector rather than the corporate sector, contributing to greater borrowings from households in Australia compared to other countries. The outlook for private consumption, therefore, remains an uncertain variable for the RBA's GDP growth forecast in the medium term.

Interestingly, 2018 marks the first year in almost two decades that the US Treasury ten-year yield is lower than Australia's ten-year government bond yield. This potentially implies that growth prospects for the US are higher than those for Australia. Nevertheless, Australia has experienced economic expansion for 28 consecutive years now and there is no clear indication that this will change in the short to medium term.

Central and Eastern Europe (CEE)

CEE is the fastest growing region in the European Union (EU), with 2018 GDP growth expected to be around 4%, compared to the EU as a whole at 2.1%. Living standards in CEE are also continuing to converge with those in Western Europe, and it is expected that the GDP per capita levels of countries such as Poland and the Czech Republic will surpass the EU-27 average within the next ten years.

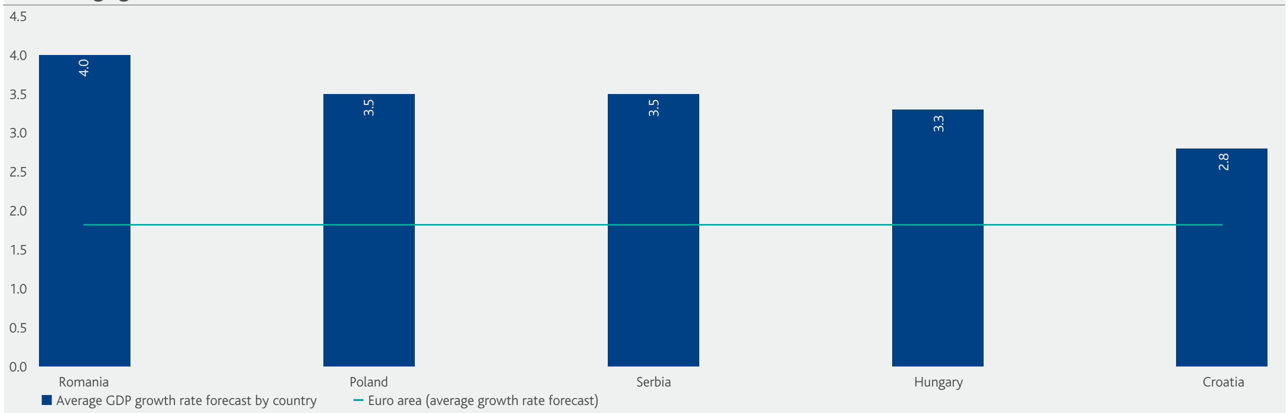
The region has attracted strong foreign direct investments, because the workforce in CEE is generally highly skilled and educated while wages remain much lower than in the UK and Western Europe. The region has therefore been a strong beneficiary of multinational firms expanding or relocating from Western Europe and the UK, especially those firms operating in the business process outsourcing (BPO) and IT outsourcing (ITO) sectors.

A key risk for CEE, however, is a deterioration in global trade relations, especially with proposed US tariffs on European-built automobiles. This is one of the most important industries for CEE and the move by US president Donald Trump's administration could have a severe impact on exports if implemented. In addition, rising inflation could start slowing the current strong consumption growth in the region.

Conversely, low unemployment rate expectations, a healthy wage growth trend and further benefits that EU-linked investments will have on infrastructure investment in the region all bode well for CEE's future economic expansion.

Source of graphics:
Stats SA and Anchor Stockbrokers

CEE average growth rate forecast (Euro area)



Gore Hill Technology Park, Artarman

Interview with the **Chairman and the Group Chief Executive Officer**

Growthpoint's inaugural Eurobond and Green Bond issues were strategic milestones that diversified our sources of funding internationally and extended the length of our debt book.

Q What were Growthpoint's most important strategic achievements during the year?

We have set a new strategic course with internationalisation as our main aim, and this year Growthpoint continued to emerge as a leading international property company, while adding new, low-risk income streams that support our business.

These strategies have enabled us to hold our own in a very tough market. Our new income streams from Funds Management and Trading and Development, and our international growth in CEE – including our entry into the Polish property market – have further diversified our revenue and added to the defensive nature of the business. They are serving us well.

We made progress in all our strategic focus areas and closed the year with several initiatives in progress.

We adopted measures to derisk certain areas of our business, support our sustainability and create value for our stakeholders. The introduction of new revenue streams has, however, nudged Growthpoint up the risk curve slightly and we are identifying ways to mitigate our risk.

Q What were the key performance achievements?

In the South African operating context, consolidating and running our RSA portfolio optimally while renewing and retaining the clients that we already have is an excellent achievement, especially with a portfolio the size and scale of ours.

Our focus has primarily been to run a better business, remain disciplined, and put cost savings in place. We have made significant strides in optimising our RSA operations and put all the necessary management structures in place to achieve our strategies.

For our RSA business, we concluded agreements for the disposal of over R4bn worth of assets during the year, and there is more to come. Domestic investment parameters are largely negative with the cost of funding exceeding initial yields, so our focus is on developing to create our own product rather than relying on acquisitions – we must create relevant products for our customer base. These include modern, efficient, certified green offices with large floor plates. If we do not have this type of stock, our clients will simply move to other premises which do have those features but are owned by our competitors. Development gives us higher yields and, given the current economic situation, is a defensive move.

The completion of the landmark new Discovery head office in Sandton with our partners Zenprop was certainly a highlight of FY18.

The inaugural capital raises for both GIAP and GHPH gave real momentum to our new funds management business and placed it firmly on track for its target of reaching R15bn in assets in the next four years. GIAP received US$212m (R2.7bn) of commitments including US$50m from Growthpoint while GHPH, which has R2.5bn worth of assets, raised R285m of third-party funds.

Francois Marais
Chairman

The V&A continued to perform well showing both capital and organic growth, with the vibrant Silo District development coming on stream.

In CEE we expanded our investment into Poland with our stake in GPRE and increased our investment in GWI. Both businesses showed significant growth on the back of positive market fundamentals. The Globalworth name is now recognised as a leading property player in Romania and Poland.

GOZ continued to perform well, achieving all its targets this year and delivering on the guidance that it put out to the market. The actual Rand contribution from GOZ to Growthpoint's distributions has, however, declined because of higher dividend withholding tax and the relatively strong Rand during FY18.

We are getting closer to an optimal funding structure for our evolving business.

Q Where are your biggest challenges?

The South African economy. Our South African asset base still accounts for c. 70% of Growthpoint's earnings before interest and tax and given this concentration, it is imperative to maintain our leading position in the RSA marketplace. The competition for tenants is getting tougher and we can only retain and attract clients if our services and buildings are better. Rentals are under pressure and the cost of keeping tenants, from incentivisation to the negative reversion of rentals on renewals, is becoming more expensive and making positive rental growth impossible to achieve.

After another year of low GDP growth in South Africa, the economy is structurally so weak that it is hindering investment, so we are focusing on optimising our RSA portfolio through disposals. In FY18 we also endeavour to internationalise with investments in markets that are growing. This placed us slightly higher on the risk curve, but we mitigated that risk by partnering with established players in the territories where we invested.

As we head into the 2019 general election, South Africa is facing political uncertainty. The issue of land expropriation without compensation and the proposal to amend section 25 of the South African Constitution is material for Growthpoint. If property ownership rights are watered down, it will fundamentally affect the way investors look at the business and impact our ability to attract foreign shareholders and raise capital. The security of property ownership rights is fundamental to our business and the RSA economy as a whole.

The country's ability to break out of its low economic growth cycle depends on increasing investment by government, the private sector or foreign investors. The government does not have money and its ability to borrow is limited given its credit rating, so the burden of economic growth is falling on private and foreign investors and neither group is happy to invest without policy certainty. Investors are currently taking a cautious approach to investing in South Africa and while this is not having a direct impact on our business yet, it certainly will if the situation is not resolved soon.

Clearly it is difficult for us to grow our RSA portfolio so for now, our focus remains on optimising and streamlining it. The V&A is an exception in RSA and we are confident of its growth prospects. The precinct was, however, affected this year by the "Day Zero" publicity around Cape Town's water crisis, which had an impact on tourism in the city.

The V&A's potable water consumption has been reduced by 52% over the past two years, and we are working towards making it self-sustaining, with initiatives like desalination. However, even though the precinct will not in future be reliant on the city for its water needs, the water

Combined property assets

R132.9bn

Market capitalisation

R79.3bn

Norbert Sasse
Group Chief Executive Officer

Interview with the **Chairman and the Group Chief Executive Officer** continued

crisis will continue to affect it – and particularly its hotels and retail components – for as long as this remains an issue for the Western Cape.

Growthpoint's response to Cape Town's water crisis was a key consideration for our business this year. We were able to take an office building completely off the city's municipal water grid for the first time, and plan on doing the same with several others.

This year we continued to experience frustrations around the lack of delivery at local government level. This is an obstacle for the developments and capital projects that are a normal part of our business.

While we manage and mitigate the risks that are within our control, challenges such as GDP growth, political and policy uncertainty and government corruption, and lack of service delivery are outside of our control.

Q Looking ahead to the medium term, what are the key opportunities for Growthpoint?

Business in South Africa is going to be challenging, given the state of the economy and how it is affecting our clients. However, this presents the opportunity to create an offering that further distinguishes Growthpoint in the market.

We have market-leading experience in high-performance workspaces and in selling the concept of sustainability, and we will leverage this advantage.

There is always opportunity in adversity, and the real prospects are offshore. Growthpoint has clearly communicated our internationalisation strategy and our continued support of our investment in CEE and Australia. We have also identified opportunities to grow our domestic revenue streams with funds management and trading and development for third parties.

Q Growthpoint's sustainable business model delivered a solid set of results that continued the company's track record of dividend growth. What lies behind this performance?

It is the conservatism behind Growthpoint's balance sheet and our commitment to maintaining acceptable risk levels. Growthpoint makes enhancing acquisitions and disposals, and has prudent funding strategies in place.

We run a long-term business and our tactics are designed to ensure that Growthpoint is sustainable and predictable over the long term rather than acquiring simply for the sake of acquisition.

Q Growthpoint is the most liquid and tradeable way to own commercial property in South Africa. What is the impact of these high-liquidity levels?

When investor sentiment is positive we are the first to benefit, but we are the first to suffer the negative effects if there is a sell-off by investors. Our inclusion in various indices gives us access to the support of tracker funds. Our size remains important for inclusion in international indices, and we will keep working at this. Our inclusion in indices focused on sustainability and corporate responsibility supports our good credit rating which, in turn, helps us to raise capital from diverse sources and on better terms.

Q Your balance sheet is exceptionally strong with good access to capital. This year you set out to further diversify your sources of funding and access in international debt markets. How did this go?

Growthpoint enjoys good access to debt and equity capital markets for its funding. Domestically the bond market is more receptive than it has been in recent years, and we issued new corporate bonds into the market. Growthpoint became the first South African corporate to issue green bonds on the JSE and raised R1.1bn. The sustainability tie-in of these bonds was an important factor and a key feature of the bonds was their duration, with five, seven and ten-year paper. This was significant for the drive to extend our debt book, even though this debt is slightly more expensive.

We took an active decision to access global debt capital markets by issuing our inaugural US Dollar-denominated Eurobond with a five-year maturity. We swapped the USD425m to EUR350m to fund new investment and refinance some of our original investment in GWI and GPRE.

While this is a more expensive source of funding for us, we made a long-term strategic decision to establish ourselves as an issuer in the international debt market. We are confident it was the right and best thing to do; it successfully introduced a new source of debt funding to the business and 25 new investors to Growthpoint. It enhanced the geographic split of our investor base and made us less reliant on the South African debt and equity capital markets for funding our internationalisation strategy.

Domestic equity markets are open for funding, but share prices remain exceptionally volatile, based on dynamics that are not property specific. These include external factors such as long bond yields moving up and down in response to the political news of the day. Notwithstanding, Growthpoint's access to funding remains relatively strong.

South Africa still runs the risk of having its credit rating downgraded by Moody's, which would have a negative effect on both debt and equity capital markets.

Growthpoint's credit rating is linked to the sovereign rating and a credit downgrade of RSA will negatively impact Growthpoint's rating.

Q How do environmental, social and governance factors impact your business, and how are you responding to them?

Environmental, social and governance (ESG) performance is and will continue to be an important issue for our shareholders and clients, so we consciously prioritise it. We are leaders in RSA environmental sustainability and take governance, as it relates to our business and shareholders, very seriously. As an international property company, we aim to align ourselves with global best practices.

ESG, particularly environmental, considerations have become determinative in our shareholders' mandates and our clients' property strategies. This year we launched the Thrive Portfolio, which combines quality and aesthetics with ecofriendly innovation benefits for our clients and is the only property portfolio in South Africa to be highly rated by both SAPOA and GBCSA. The Thrive Portfolio illustrates that our environmental commitment makes sense for our business and gives us a competitive edge.

Ethics in corporate South Africa have certainly been thrown into the spotlight this year. Box-ticking governance is not the same as ethical governance as practiced by Growthpoint. We run a conservative company measured against conservative metrics and we only recognise revenue that is sustainable or has already been realised. The fair value of our properties is supported by our ability to dispose of properties at a premium to book value. Growthpoint remunerates its executive directors in a way that encourages a sustainable business. Everything we do is focused on the long-term value creation.

With several of our non-executive directors coming towards their mandatory retirement age (70 years), we have given serious attention this year to renewing our Board and appointing new directors. To do this properly, we have commissioned a skills profiling and assessment that will establish what each director adds to the Board and will help to identify any future shortfalls or gaps.

Directors' length of service is an aspect on which we have a different approach. We believe that it takes time for any new director to understand a business and begin to add real value. Without the proper understanding of a company, directors cannot exercise their fiduciary duty. Growthpoint has an independent Board that challenges management. We commissioned an arm's length assessment of our independence, and we are confident there is enough evidence to support our Board's independence.

The Board does not subscribe to the notion that a non-executive director's independence is necessarily affected by length of tenure, on the basis that it recognises independence as a state of mind and as a factor of conduct.

That said, it is appropriate to refresh the Board with new appointments, a process on which we have embarked and intend to continue in FY19.

Growthpoint published its transformation strategy this year, which includes targets to measure our progress. However, the difficulty is that B-BBEE codes have become moving targets. Ownership is a big issue for us. As an acquisitive company, we have watered down the effects of our previous empowerment transactions at a share ownership level. We are consequently pursuing a new B-BBEE deal, which will be subject to requisite approvals, and hope to conclude it by the end of FY19. This will support our ability to meet a minimum level 3 B-BBEE rating target.

We are and always have been committed to B-BBEE. Skills are crucial to our company and training and development is a very important part of our programme.

Q What is your outlook for FY19

In the coming year, we will continue to build on the strategic progress made in FY18 and remain focused on strategic internationalisation, optimising our RSA business as well as new allied revenue streams.

In a domestic market that has not grown, our biggest challenge is achieving growth in rentals and revenues. GDP growth was downgraded to 1.2% for 2018 and it is unlikely to reach 2% before 2020. Four years of growth below 2%, new space coming to market and additional competition has resulted in an inability to grow rentals.

We do not see any rapid improvement to the South African market dynamics and expect continued weakness in the fundamentals across all three sectors of our RSA portfolio, with costs and cost increases remaining an issue. We will optimise our RSA portfolio.

Our Funds Management business will continue to grow the assets of its funds under management and we will explore opportunities to add new investment products in specialised property sectors to our Funds Management business.

Internationally, GOZ remains a solid investment that offers good returns despite the offset of the dividend withholding tax. We will continue to support its growth.

Both GWI and GPRE have good growth opportunities in their underlying businesses and their economies. We remain committed to supporting the future growth of both, and will seek to deploy more capital as opportunities arise. Growthpoint will explore opportunities in other international markets.

We expect the V&A to build on its good track record of performance for Growthpoint. Adding to its base, more developments are expected to come on stream.

With the combined effects of its investments and strategies, Growthpoint expects to achieve dividend growth for the coming year at 4.5%.

Growthpoint will strive to add value for our stakeholders with predictable and transparent income streams.

Financial **Director's review**

Looking beyond our own borders.

Growthpoint delivered growth in distributions per share for FY18 of 6.5% and declared a final dividend of 107.4 cents per share for the six months ended 30 June 2018. This growth is in line with the guidance given to the market for FY18.

Growthpoint's distributions are based on sustainable income generated from rentals, trading profits and development fees, and going forward, distributions and management fees related to its Funds Management business. Effectively, net property income received by the property portfolios of the RSA and GOZ operations, including interest received and the distributable income received from the equity-accounted and listed investments, but minus the administrative and operating overheads, interest on debt and normal taxation, is distributed to Growthpoint shareholders bi-annually.

In Rand terms, total distributable income increased by R560m or 10.1% to R6.1bn.

Growthpoint is the largest South African primary listed REIT with a quality portfolio of 454 directly owned properties in South Africa (RSA) valued at R78.8bn and a 65.5% interest in GOZ, which owns 57 properties in Australia valued at R33.6bn.

Growthpoint has equity-accounted investments, valued at R15.1bn. Our 50% share of the V&A is the largest of these investments (worth R7.5bn), followed by a 29.0% stake in the London Stock Exchange (AIM)-listed GWI (R5.1bn) and a 21.6% stake in the Warsaw Stock Exchange-listed GPRE (R2.4bn).

Growthpoint also has a listed investment, which is an 18.2% stake in the ASX-listed Industria REIT that is owned by GOZ and valued at R797.0m.

Equity raised

During the period under review, Growthpoint issued 82.5m shares and raised R2.2bn through the DRIP programmes. The equity raised from the DRIPs was used to finance Growthpoint's investment activities.

The company had 2.9bn shares in issue at end FY18 and an authorised share capital of 4.0bn shares. Growthpoint held 25 470 569 treasury shares at FY18 (FY17: 27 759 987).

Gerald Völkel
Group Financial Director

Simplified financial statements

We have included a simplified distribution income statement and balance sheet in this report. This has been done to make the financial statements easier to understand, to reflect the cash-based operating results as used by management and the Board, and to eliminate fair value and other non-cash flow adjustments required in the statutory financial statements in terms of International Financial Reporting Standards (IFRS). The management figures have been reconciled to the figures as reported in terms of IFRS. We have referred to the statement of profit or loss and other comprehensive income as the income statement, and to the statement of financial position as the balance sheet for ease of understanding.

The Group's accounting policies applied in the preparation of the audited financial statements are consistent with those applied in the previous financial statements.

Net property income

Gross revenue increased by 2.4% for FY18 compared to FY17. RSA increased revenues by 4.5% compared to FY17 and the revenue received from GOZ decreased by 3.9% because of the stronger Rand. The ratio of property expenses to revenue for the Group increased slightly to 21.6% (FY17: 21.0%). For RSA the ratio increased to 23.8% (FY17: 23.5%) and for GOZ the ratio increased to 14.2% (FY17: 13.0%).

Best practice recommendations were issued by the SA REIT Association outlining the need to provide consistent presentation and disclosure of relevant ratios in the SA REIT sector. This will ensure information and definitions are clearly presented, enhancing comparability and consistency across the sector. Below are the Group cost-to-income ratios, set out in terms of the three definitions to comply with these best practice recommendations.

	2018 %	2017 %
Property cost-income ratio		
Gross	**31.11**	30.42
Net	**16.64**	16.56
Based on IFRS reported figures	**21.56**	20.95
Operating cost-income ratio		
Gross	**4.17**	4.15
Net	**3.98**	3.88
Based on IFRS reported figures	**3.98**	3.88
Total cost-income ratio		
Gross	**34.72**	34.00
Net	**20.87**	20.66
Based on IFRS reported figures	**25.54**	24.83

Finance and investment income

Finance and investment income increased by 30.6% to R904.0m (FY17: R692.0m). This relates mainly to an increase in dividends received from associates when compared to FY17 and long-term loans granted.

Finance costs

Finance costs increased by 2.5% to R2.57bn (FY17: R2.51bn). This was partly offset by the proceeds from the distribution reinvestment plans (DRIPs) offered by Growthpoint. The weighted average interest rate for RSA borrowings was 9.1% (FY17: 9.2%) (including Euro loans and cross-currency interest rate swaps (CCIRS) was 6.9% (FY17: 7.4%)). The weighted average maturity of debt increased to 3.7 years (FY17: 3.0 years). Finance costs for GOZ decreased by 3.4% to R547.0m (FY17: R566.0m). The interest cover ratio, whereby income from the equity-accounted investments and listed investments are included in the operating profit, increased to 3.7 times at FY18 (FY17: 3.5 times).

Property asset acquisitions

Growthpoint acquired one retail property, the remainder of N1 City Mall, for R922.1m, two industrial properties for R237.3m and two office properties for R172.3m during the year for its RSA portfolio. The development and capital outlay for RSA of R2.1bn (FY17: R2.1bn) was for various projects undertaken in FY18, of which the Discovery head office accounted for R302.0m (FY17: R699m).

Growthpoint has commitments outstanding for RSA developments totalling R1.6bn (FY17: R2.0bn) of which 144 Oxford Street, Rosebank is the largest at R524.9m. These commitments include Exxaro head office in Centurion at R333.1m.

GOZ acquired one industrial property for R525.9m (AUD48.6m) and it incurred development costs of R103.4m (AUD10.1m), situated at the Perth Airport.

GOZ has commitments outstanding totalling R2.1bn (AUD204.2m) (FY17: R150.5m (AUD15.0m)). These commitments include a new office development at the Botanicca Corporate Park in Richmond, Victoria at R997.1m (AUD98.1m) and a new office acquisition of 836 Wellington Road, West Perth, WA at R928.0m (AUD91.3m).

Growthpoint's 50% development and capital expenditure at the V&A amounted to R295.0m (FY17: R557.6m) for the period. Growthpoint's share of the V&A's commitments outstanding at FY18 amounted to R100.2m (FY17: R220.3m). The largest include the Cruise Line Terminal at R63.6m, Dock Road Junction at R27.6m and Battery Parkade at R13.4m.

Disposals and held-for-sale assets

Growthpoint disposed of 20 properties in the period (FY17: 17) for R1.5bn (FY17: R1.8bn), achieving a collective R230.8m (FY17: R401.0m) profit on cost.

At FY18, ten RSA properties (FY17: three) valued at R2.5bn (FY17: R201.9m) and two (FY17: one) GOZ properties valued at R653m (AUD64.3m) (FY17: R1.0bn (AUD103.5m)) were held for sale.

GOZ disposed of two properties in the period (FY17: seven) with a book value of R1.7bn (AUD169.4m) (FY17 R1.7bn (AUD166.4m)).

Fair value adjustments

The revaluation of properties in RSA and GOZ resulted in an increase of R1.6bn (1.4%) to R112.4bn for investment property (including investment properties classified as held for sale and trading and development). This was driven mainly by growth in future contractual rental. Interest-bearing borrowings and derivatives were fair valued using the South African or EUR swap curve at FY18, increasing the overall liability by R314.1m.

These fair value adjustments and other non-distributable items, such as capital items, non-cash charges, deferred taxation and the net effect of the non-controlling interest's portion of the non-distributable items, were transferred to the non-distributable reserve.

Financial **Director's review** continued

V&A and other equity-accounted investments

The investments in the V&A, GWI and the other joint ventures were accounted for in terms of IFRS 11 *Joint arrangements*. The equity-accounting method was used, where the Group's share of the profit or loss and other comprehensive income of these investments were accounted for.

Included in the FY18 distributable income is R591.7m from the V&A (FY17: R524.0m), R291m from GWI (FY17: R128.0m) and R94.6m from GPRE included for the first time.

Investment in GOZ

The investment in GOZ was accounted for in terms of IAS 21 *The effects of changes in foreign exchange rates*. The statement of financial position includes 100% of the assets and liabilities of GOZ, converted at the closing exchange rate at FY18 of R10.16:AUD1 (FY17: R10.04:AUD1).

On 13 July 2017, GOZ acquired an 18.2% stake in the Australian Securities Exchange (ASX)-listed Industria REIT for AUD68.1m (R681.0m). Classified as a listed investment, this stake has subsequently been fair valued to AUD78.4m (R797.9m).

A deferred tax liability of R2.8bn (FY17: R2.1bn) is included in the statement of financial position. This relates to capital gains tax that would be payable in Australia if Growthpoint were to sell its investment in GOZ.

The statement of profit or loss and other comprehensive income includes 100% of the revenue and expenses of GOZ, which were translated at an average exchange rate of R9.97:AUD1 for FY18 (FY17: R10.26:AUD1).

The resulting foreign currency translation is recognised in other comprehensive income. A non-controlling interest amount was raised for the 34.5% (FY17: 34.9%) of GOZ not owned by Growthpoint.

Included in the FY18 distributable income is R866.9m income from GOZ (FY17: R833.7m). Included in normal tax in the statement of profit or loss and other comprehensive income is R160.4m (FY17: R67.0m) that relates to withholding tax paid on the distributions received from GOZ. The increased withholding tax and stronger Rand had a negative impact on the distribution received from GOZ.

Further investment in Globalworth

Growthpoint followed its rights in the GWI EUR340.0m capital raise in December 2017 and made an additional investment of R1.9bn (EUR113.8m) in GWI. This increased Growthpoint's interest to 29.0%.

GWI completed its strategic investment in GPRE, resulting in a shareholding of 71.7% in December 2017.

On 22 December 2017, GPRE completed the acquisition of three high-quality properties in Wroclaw, Gdansk, Katowice and Krakow in Poland from Echo Polska Properties (EPP) for a total consideration of approximately EUR160.0m.

Acquisition of GPRE

In June 2018, Growthpoint directly acquired a 21.6% stake in the Warsaw Stock Exchange-listed GPRE, which is classified as an associate, for a consideration of R2.3bn (EUR150.0m). GPRE is a Polish real estate platform listed since April 2017. GPRE's portfolio consists of attractive premium properties, predominantly in the office sector, spanning Warsaw and other major cities across Poland, including Wrocław, Kraków, Łódz, Gdansk, Katowice and Krakov. The acquisition was funded by a five-year USD-denominated Eurobond issued during FY18. A notional bargain purchase of R9m has been identified as a result of this investment, and is included in fair value adjustments, capital items and other charges.

Other matters

We are mindful of the impact of possible carbon tax on our RSA business, which is proposed from 2020. Growthpoint falls into the "other" category for carbon tax and based on our direct emissions in FY18 would have no tax liability. We are, however, cognisant of the possible impact on our clients, and our various energy reduction and greening initiatives actively contribute to reducing this tax burden for them.

The Group's share of the results in GPRE and its aggregated assets and liabilities are shown below:

Total assets	**R18.0bn**
Total liabilities	**R6.8bn**
Bargain purchase	**R9m**
Consideration paid	**R2.3bn**
Percentage held (%)	**21.6%**

SIMPLIFIED DISTRIBUTION INCOME STATEMENT

For the year ended 30 June

	Notes	Total Group FY18 Rm	FY17 Rm
Revenue	1	**10 976**	10 716
Property expenses		**(2 366)**	(2 245)
Net property income		**8 610**	8 471
Asset management costs		**(344)**	(314)
Other operating expenses		**(93)**	(102)
Finance and other investment income	6	**1 158**	737
Interest paid		**(2 574)**	(2 510)
Profit before taxation		**6 757**	6 282
Taxation	7	**(154)**	(98)
Profit before dividends and debenture interest		**6 603**	6 184
Minorities' share of profit and realised foreign exchange profit		**(495)**	(636)
Dividends		**(6 108)**	(5 548)
SA retained profit		**–**	–
Number of shares in issue (including treasury shares)		**2 970 981 288**	2 888 462 582
Dividend per share (cents)		**208.6**	195.8

Financial **Director's review** continued

SIMPLIFIED BALANCE SHEET

At 30 June

		Total Group	
	Notes	**FY18 Rm**	FY17 Rm
ASSETS			
Property assets	8	**112 357**	109 442
Equity-accounted investments		**15 096**	9 920
Intangible assets	9	**2 164**	2 220
Derivative assets		**476**	356
Long-term loans granted		**370**	709
Listed investments		**801**	226
Equipment		**12**	15
Current assets		**5 965**	3 827
Cash and cash equivalents		**2 320**	613
Other current assets		**3 645**	3 214
Total assets		**137 241**	126 715
EQUITY AND LIABILITIES			
Shareholders' interest		**75 273**	72 045
Non-controlling interest		**7 887**	6 709
Interest-bearing borrowings		**48 234**	42 568
Derivative liabilities		**741**	587
Deferred taxation	10	**2 729**	2 190
Current liabilities		**2 377**	2 616
Trade and other payables		**2 305**	2 572
Taxation payable		**72**	44
Total equity and liabilities		**137 241**	126 715

RECONCILIATION BETWEEN STATUTORY AND SIMPLIFIED FINANCIAL STATEMENTS

For the year ended 30 June 2018

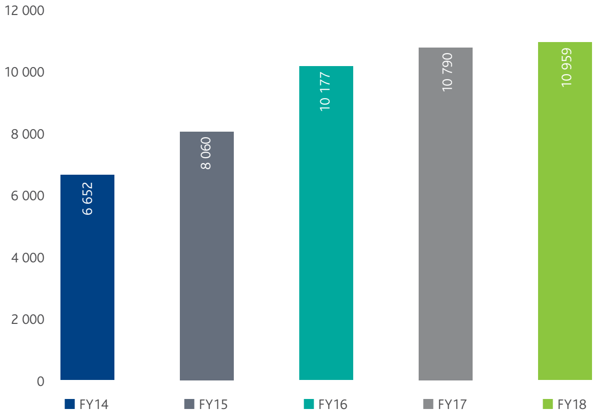
		Total Group	
		FY18 Rm	FY17 Rm
NOTES			
1.	**Revenue as stated**	10 926	10 755
	Less: Straight-line lease income adjustment	50	(39)
		10 976	10 716
2.	**Fair value adjustments as stated**	1 352	1 954
	Less: Fair value adjustments reversed	(1 352)	(1 954)
		–	–
3.	**Equity-accounted investment profit**	711	369
	Less: Equity-accounted investment profit reversed	(711)	(369)
		–	–
4.	**Non-cash charges as stated**	152	133
	Less: Non-cash charges reversed	(152)	(133)
		–	–
5.	**Capital items as stated**	207	29
	Less: Capital items reversed	(207)	(29)
		–	–
6.	**Finance and other investment income as stated**	904	692
	Add: GWI/GPRE dividend declared after year end, based on FY18 earnings	221	–
	Add: Antecedent dividend received	33	45
		1 158	737
7.	**Taxation as stated**	(666)	(48)
	Add back: Deferred taxation	512	(50)
		(154)	(98)
8.	**Property assets as stated**	109 046	108 201
	Add back: Investment property reclassified as held for sale/trading and development	3 311	1 241
		112 357	109 442
9.	**Intangible assets as stated**	2 279	2 362
	Reversal of additional goodwill raised on deferred taxation liability*	(115)	(142)
		2 164	2 220
10.	**Deferred taxation as stated**	2 844	2 332
	Reversal of additional deferred tax liability on intangible asset	(115)	(142)
		2 729	2 190

* *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 in terms of the acquisition of the property services businesses.*

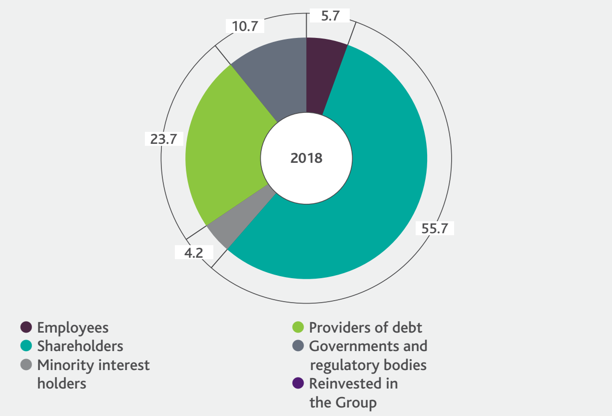
Value added **statement**

	2018 Rm	FY17 Rm	FY16 Rm	FY15 Rm	FY14 Rm
Revenue	**11 817**	11 565	10 570	8 322	6 959
Property and other expenses	**(1 426)**	(1 340)	(1 170)	(990)	(853)
Value added	**10 391**	10 225	9 400	7 332	6 106
Finance and other investment income	**568**	565	777	728	546
Wealth created	**10 959**	10 790	10 177	8 060	6 652
Shareholders	**6 108**	5 548	5 033	4 232	3 497
Providers of debt	**2 597**	2 922	2 710	2 215	1 802
Government and regulatory bodies	**1 176**	1 016	941	747	602
Employees	**623**	669	625	463	418
Minority interest holders	**455**	471	450	329	293
Reinvested in the Group (GOZ)	**–**	164	418	74	40
Wealth distribution	**10 959**	10 790	10 177	8 060	6 652

Wealth created and distributed (R million)



Wealth created and distributed (%)



Treasury **Management**

This report pertains to the treasury activities managed from the Republic of South Africa.

Capital flows

Investment activities for FY18 were slanted towards international equity investments, in line with Growthpoint's strategy. Capital expenditure and our international equity investments were funded from a mix of debt and equity. Growthpoint raised equity of R2.2bn from DRIP proceeds and borrowings increased by R5.9bn. Domestically, property acquisitions were funded mainly by selling non-core properties.

Interest-bearing liabilities

	FY18 Rm	% of total debt	FY17 Rm	% of total debt
South Africa				
Secured debt	**16 050**	**45.7**	16 816	57.4
Bank debt	**15 447**	**43.9**	15 276	52.1
Institutional financiers	**603**	**1.7**	1 540	5.3
Unsecured debt	**19 102**	**54.3**	12 472	42.6
Bank debt/institutional financiers	**5 036**	**14.3**	5 248	17.9
Corporate bonds (including commercial paper)	**8 233**	**23.4**	7 224	24.7
Eurobonds	**5 833**	**16.6**	–	–
Total South African debt	**35 152**	**100**	29 288	100.0
Accrued interest	**320**			
Fair value on debt	**227**		119	
Deferred payment – Samrand	**–**		85	
Australia				
Secured debt				
Bank debt and loan note	**12 535**		13 076	
Consolidated debt	**48 234**		42 568	

A key shift in funding stemmed from the debut issue of Growthpoint's unsecured Eurobond.

Growthpoint placed a USD425m five-year bond in the international market at a coupon of 5.9%. The bond is listed on the Irish Stock Exchange. This formed part of our goal to diversify Growthpoint's debt investors to international markets in symphony with our internationalisation strategy. The bond proceeds were converted to Euros at an average rate of 3.0%.

Growthpoint invested a further EUR110m in GWI and EUR150m in GPRE, which was funded from the Eurobond. We still had a surplus of cash from the Eurobond proceeds at year end. The entire value of the European investment has been hedged.

We view CCIRS as synthetic foreign denominated debt. We use these swaps to fund foreign investments because they provide efficient pricing. We closed the year with CCIRS swaps of AUD800m for our GOZ investment. This represents 50% of the market value of GOZ.

In the domestic capital market, Growthpoint placed the first corporate Green Bond in RSA for R1.1bn with terms of five, seven and ten years. This inaugural Green Bond links our sustainable developments and green buildings with capital markets. It gives investors a unique opportunity to support better environmental impacts with their investment. The margins attained for the bond were 139 to 200 bps over JIBAR. This was the first time Growthpoint undertook a public auction for a bond with a 10-year term, and the pleasing positive response from local and international investors resulted in further investor diversification.

Growthpoint placed R809m of vanilla bonds in October 2017 at terms of five and seven years and at margins of 144 to 170 bps over JIBAR.

Banks are significant funding partners of Growthpoint and several bank transactions are in the form of high-quality liquid asset bonds. We anticipate that both the banks and local debt capital markets will continue to firmly support our funding requirements.

The combined result of issuing the Eurobond and the domestic bonds has increased the percentage of unsecured debt from 42.6% to 54.3% in FY18. The ratio of secured loans to total property value for Growthpoint's RSA operations was 17% in FY18. As part of the funding strategy, we intend to increase unsecured funding and our unencumbered asset pool to support flexibility in making asset disposal decisions.

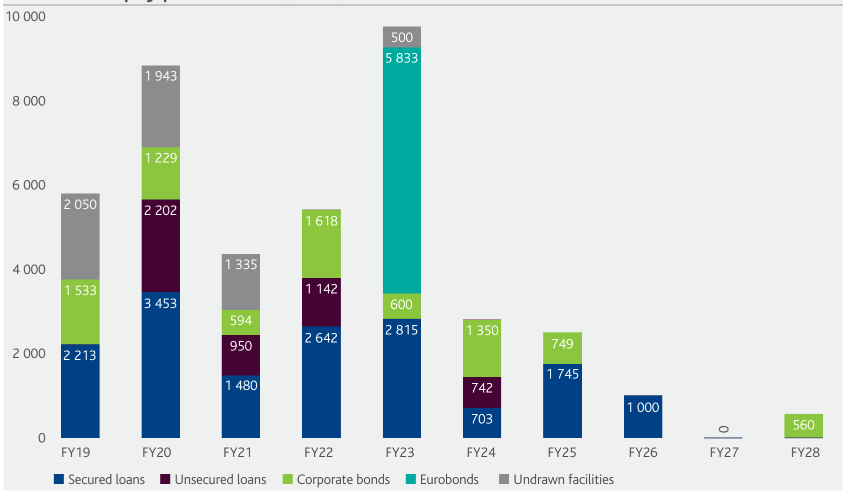
Cost of funding

The cost of funding of ZAR-denominated debt decreased slightly over the year from 9.2% to 9.1%. This includes the weighted average cost of debt and fixing interest rates. The cost of funding on AUD synthetic debt is 4.4% and the average cost of funding on the EUR debt pool is 2.9%.

Treasury **Management** continued

Maturity profile

FY18 debt expiry profile – RSA (R million)



The weighted average term of liabilities increased from 3.0 years to 3.7 years in FY18, because of the five-year Eurobond and other long-term loans and bonds. Strategically, we intend to lengthen the debt maturity profile gradually over time, although this remains a challenge in the RSA economic environment.

Growthpoint has total undrawn facilities of R5.8bn, which covers debt maturing within the next 12 months. The undrawn facilities are spread across several different financiers and over different terms. The cash balance of R2.0bn further supports Growthpoint's liquid position.

Credit ratings and covenants

Moody's confirmed RSA's sovereign rating at Baa3 in March 2018. This was based on an expected halt in the decline of the country's institutional framework, improved growth performance and prospects, as well as fiscal adjustment plans that would stabilise and eventually reduce the debt burden. Moody's views Growthpoint's ratings as being highly correlated with RSA's long-term bond rating because its operations are concentrated in the country, so Growthpoint's rating is constrained by the RSA sovereign rating.

Moody's confirmed Growthpoint's ratings on 10 April 2018 with a stable outlook:

Global scale rating – issuer	Baa3
Global scale rating – short term	(P)P-3
National scale rating – long-term issuer	Aaa.za
National scale rating – short-term issuer	P-1.za

According to Moody's, any future upward or downward pressure on Growthpoint's ratings and outlook will be considered against the RSA rating position and outlook at the time.

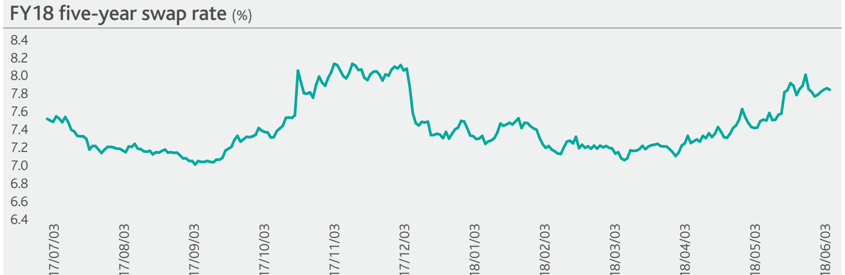
Growthpoint's most stringent loan covenants:

Covenants	FY18 Limit	FY18 Including GOZ	FY18 Excluding GOZ	FY17 Including GOZ	FY17 Excluding GOZ
Loan to value (nominal debt (net of cash)/property fair value) (%)	≤50	**35.0**	**35.2**	35.0	33.4
Interest cover (net property income/net interest expense) (x)	≥2.0	**3.7**	**3.6**	3.5	3.4

Growthpoint is well within its covenants and targets to maintain its loan-to-value ratio below 40%.

Interest rate risk management

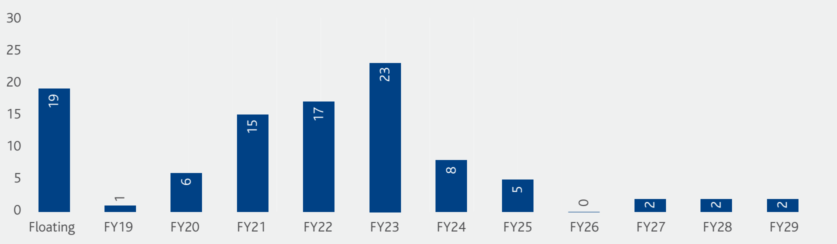
FY18 five-year swap rate (%)



The RSA interest rate environment was volatile and exacerbated by the ANC's national elective conference in December 2017 as well as political and macro-economic uncertainty during FY18.

As Growthpoint has a large debt portfolio, its earnings are exposed to the risk of changes in interest rate. Growthpoint has a policy of hedging at least 75% of its liabilities at a fixed interest rate to reduce volatility in earnings. At year end, 81.5% of Growthpoint's liabilities were hedged at a fixed interest rate, down from 85.6% for FY17. The weighted average term of the fixed interest rate profile increased to 4.3 years from 3.9 years, after lengthening some swaps and due to the longer-dated fixed rate Eurobond.

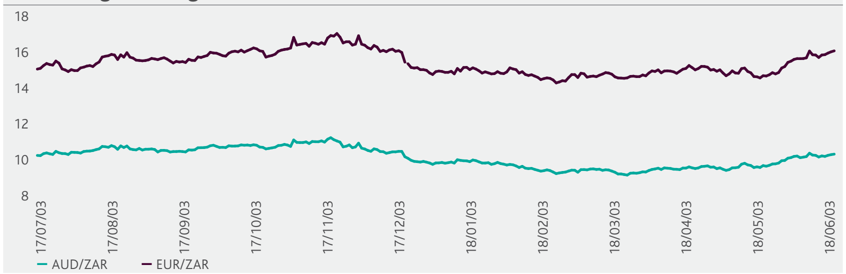
FY18 fixed interest rate expiry profile RSA (%)



Should interest rates increase by 1%, Growthpoint would incur an additional R65.0m per annum in interest expense, which translates to 2.2 cents in distribution per share. Thus, Growthpoint is confident that its interest rate risk is mitigated.

Exchange rate risk management

FY18 foreign exchange rates



The ZAR is a volatile currency and its weakness towards the latter part of 2017 can be ascribed to the ANC national elective conference.

From a balance sheet point of view, the GOZ investment is partially hedged via AUD CCIRS swaps. By using CCIRS swaps, Growthpoint can obtain a positive margin between the yield received on its GOZ investment and the interest rate implied in the CCIRS. Half of the market value of GOZ was hedged in this way. Further, the investments in GWI and GPRE are 100% funded through EUR denominated funding and EUR CCIRS. Therefore, these investments are fully hedged from a balance sheet perspective.

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

FY19 FX dividend hedge	Currency	% of dividends to be used for servicing FX interest	% dividends hedged to ZAR via FECs	Weighted average FX rate on FECs	Impact of 1 Rand change in FX rate on DPS
GOZ	AUD	23	29	10.56	1.4
GWI and PRE	EUR	49	43	17.28	0.1

As 52% of the GOZ dividends are hedged for FY19, a R1 change in the AUD/ZAR exchange rate would impact Growthpoint's earnings by 1.4 cents in distribution per share. Similarly, as 92% of the GWI and GPRE dividends are hedged for FY19, a R1 change in the EUR/ZAR exchange rate would impact Growthpoint's earnings by 0.1 cents in distribution per share. Growthpoint is thus confident that a substantial portion of its foreign exchange risk is mitigated.

RSA PERFORMANCE

IN THIS SECTION

Alice Lane Precinct, Sandton

CEO: **RSA** overview

Client retention was the major objective and we also focused on minimising vacancy levels and keeping arrears tightly managed.

Estienne de Klerk
CEO: RSA

We focused on improving efficiencies and operations and on enhancing our clients' experiences by ensuring that our buildings – whether retail, office or industrial – remain competitive and the best in their respective classes.

Client retention was the major objective as we focused on minimising vacancy levels and keeping arrears tightly managed. In addition, we targeted strategic letting to mitigate large risks early. We are confident, for example, that the Woodmead buildings occupied by Deloitte will be re-let before its lease ends.

Asset disposals, as well as our planned strategic portfolio disposal, will help to balance our portfolio of investments optimally in line with market opportunities. We seek acquisitions and developments that will offer us the best value and improve the quality of our portfolio. In FY18, the industrial sector performed better than the retail and office sectors; it saw the most demand and was where we undertook the most development.

The year was difficult for all three sectors and sub-par economic growth continues to play out in the real estate space. Rentals are thus likely to remain under pressure across the board for the next couple of years and it is the superior quality of our properties and services that will distinguish Growthpoint in this environment.

We have adopted a defensive position and are expanding or refurbishing retail properties while developing new product in the industrial and office sectors. Offering better quality product to the market is essential to remaining relevant and competitive.

In FY18, our Trading and Development division continued to focus mainly on activity for Growthpoint's portfolio and balance sheet. Third-party trading and development remained a smaller part of its activity, but continued to secure a pipeline of revenue opportunities to deliver income in FY19.

We identify additional revenue streams closely connected with our product offering that will generate recurring income while improving our quality of service.

With the help of specialist advisers, we then examined our processes and structures and identified certain key strategic initiatives to improve the RSA business, especially in the way it operates and delivers services to clients. We have reorganised accordingly and invested in new systems for procurement across the Group.

This process of reorganisation is now complete and the dedicated management and operations teams are in place. We have centralised our operations and are overlaying improved processes and systems with the potential to increase efficiencies and boost our capacity to manage our portfolios optimally. This centralisation harnesses synergistic benefits that improve efficiency, reduce costs and enhance the client experience. It also adds the potential to pursue alternative revenue opportunities.

This positions us to be more responsive to market dynamics and changes, and more agile in executing on opportunities arising.

The RSA business has different opportunities and challenges to some of our Group investments. Part of successfully managing this business is managing transformation. The reorganisation has given opportunities to empowerment candidates and our RSA business has committed to specific transformation targets in its divisions, in line with our published transformation strategy.

STRATEGIC PORTFOLIO SALE

Growthpoint communicated to the market its plan to dispose of a portfolio of properties valued at almost R5.8bn. We are now in discussions with a specific party. A crucial part of this transaction will be its critical funding mechanisms. We envisage a BEE transaction that benefits from skills transfer and we will inform the market when there is more to report. Uncertainty is inevitable in a complex transaction of this kind.

Corporate marketing and communication

Objective

Growthpoint's marketing has, over the past ten years, successfully established our brand as a point of reference in the South African and emerging market REIT space. We value the market position of the Growthpoint brand and its successful communication of our values and quality offering to clients and stakeholders.

In FY18, we expanded on our relationships with and sponsorships of Tennis SA and Squash SA, with the intention of actively developing these sports and making a real difference while enjoying strong brand exposure.

Our corporate marketing and communication team is responsible for establishing and increasing positive engagement with the Growthpoint brand for all our stakeholders.

Key performance indicators

- Maintaining and upholding the Growthpoint brand and corporate identity
- Identifying marketing opportunities in line with the sectors' strategic objectives to promote Growthpoint's activities and projects, and executing these creatively and cost-effectively
- Integrating and promoting the Growthpoint culture and values among all staff nationally, in collaboration with HR
- Driving and measuring research and other initiatives to improve client attraction and retention
- Continuing to effectively engage our clients through all communication platforms with emphasis on "green" media (very limited print)
- Enhancing client and supplier relationships through clear, regular communication, as well as providing opportunities for face-to-face interaction
- Supporting the property industry with strategic sponsorships and gatherings
- Supporting our vision by providing information to stakeholders that is relevant, substantial, understandable and factual
- Driving and measuring our social media presence.

Highlights for FY18

Growthpoint received significant coverage over the year. The team successfully executed 164 events for clients and staff, although mostly targeted at brokers, especially with the launch of the Thrive Portfolio and the new Trading and Development division. Digital communication continued to be a key focus, considering the changing media consumption habits of our target markets and in line with our "green" philosophy. The Growthpoint website continues to be improved and updated to be as user-friendly as possible. Its content has also been modified in line with the ever-changing communication needs across all divisions. Growthpoint's quarterly digital newsletter Touchpoint continues to gain traction with our clients and it is now hosted directly on our website, in more of a blog style. Our digital communication and social media engagement and followers climb almost daily, and we are regarded by industry leaders as being an important source of new and trusted information. Our sponsorships of Tennis SA and Squash SA draws positive client and public feedback and have created a diverse new audience for us. We are particularly proud of our meaningful contribution to developing promising players from previously disadvantaged backgrounds. We are excited about the inroads we are making in creating awareness and access to these sports in areas that previously had very limited access.

CEO: **RSA** overview continued

Overview of property portfolio

	Retail	Office	Industrial	Total
Asset value (R million)	29 878	35 322	13 434	78 634
Number of properties	50	179	225	454
Gross lettable area (GLA) (m^2)	1 390 878	1 791 626	2 254 812	5 437 316
GLA as a % of RSA portfolio	25.6	32.9	41.5	100
Net property income as a % of RSA portfolio	37.5	45.5	17.0	100
Value per m^2 (R)	21 481	19 715	5 958	14 462
Value per m^2 (excluding bulk) (R)	21 452	19 023	5 557	13 952
Average gross rental (per m^2/month) (R)	186.5	158.8	52.6	122.4
Average annualised yield (%)	8.2	8.7	9.1	8.7
Average in-force escalations (%)	7.0	7.4	8.1	7.4
Weighted average renewal lease period (years)	4.1	3.1	3.0	3.2
Property expense ratio (%)	25.7	22.4	22.9	23.8
Drivers	Demand for retail space driven by retailer expansion strategies underpinned by population growth, wealth creation and consumer spend dynamics	Changing business needs, business growth and international company operations in South Africa	Distribution and warehousing requirements, import and export demands, manufacturing activity, motor trade dynamics, and infrastructure spend	
Net property income	2 410	2 931	1 095	6 436

RSA executive **management forum**

ESTIENNE DE KLERK (49)
CEO: RSA

OLIVE CHAUKE (47)
HR Director

ENGELBERT BINEDELL (48)
COO: RSA

GREG DE KLERK (62)
Regional Head: KZN

PAUL KOLLENBERG (57)
Head of Asset Management: Office

NADINE KUZMANICH (47)
Marketing

STEPHAN LE ROUX (60)
Retail Consultant

RUDOLF PIENAAR (58)
Chief Development and Investment Officer

FRANCOIS SCHINDEHÜTTE (53)
CFO: RSA

NEIL SCHLOSS (47)
Head of Asset Management: Retail

DAVID STOLL (58)
Regional Head: Cape

ERROL TAYLOR (56)
Head of Asset Management: Industrial

SHAWN THEUNISSEN (39)
Corporate Social Responsibility

COO: **RSA statement**

The role of South African COO was introduced this year to focus on the full suite of property management services across different sectors and regions, concentrating on our clients, investors and particularly our staff.

Growthpoint may be a property company but it is a people-intensive business. In truth, we are a family operating as a company.

Engelbert Binedell
COO: RSA

As a result of Growthpoint's acquisitive nature, our recent growth has introduced different corporate cultures, business processes and structures. It is good business practice to continuously review how we do things and improve the core functions that we perform for the benefit of our stakeholders. We want to ensure that the way we manage property reflects our values and consistently aligns with the Growthpoint brand to reinforce our corporate culture.

In these tough times it is our people, our culture and our desire to deliver excellent service that will keep us relevant.

To optimise our structure, we collapsed the sectoral approach to our business that separated retail, industrial and office, and created one property management team that specialises in various sectors. At the same time, we established a clear separation between pure asset management functions and the day-to-day running of assets under management.

Property management is where most of our people sit and where most of our costs are, and we want to use this to our advantage. Our approach is entrepreneurial and efficient and prioritises good governance and best practice throughout.

Well-defined property management enables well-defined key performance indicators (KPIs). These include the drive for net income growth, retaining clients, filling vacancies, preserving acceptable arrears levels and maintaining and enhancing the value of assets under management. Our new structure refines the focus within particular areas, yet enables a collaborative and entrepreneurial culture. We have set our sights on taking our property management to even higher levels of excellence.

KPIs are measurable but corporate culture is difficult to quantify. We believe, however, that our corporate culture should be obvious in the way we manage our properties. To achieve this, we strive to be great at attracting good staff and growing our people from within.

Corporate South Africa finds itself in an environment of increased scrutiny. We believe every organisation owes its stakeholders superior levels of governance. In addition, we operate in a very legislated environment in which compliance is increasingly onerous. Nonetheless, we need to comply. Our legal department supports our entire business by standardising compliance, protecting our interests and advising and implementing in a responsible manner.

We have undertaken a thorough and detailed analysis of our procure-to-pay process, testing it rigorously. A new system is being implemented across the entire business to ensure we are procuring the best value for our clients. Besides driving cost efficiencies, this will play a significant role in fostering and advancing B-BBEE.

Facilities management is a core area of our operations, delivered by a team with diverse skillsets. The team is involved in the day-to-day maintenance of properties and manages significant capital expenditure initiatives. In addition, it serves in an advisory role for the rest of our business. This area can be costly, so we aim to secure the best service providers at the most efficient cost.

Municipal costs are significant – and likely to keep increasing. It is a business imperative to manage these costs in a responsible manner. This duty falls to our Utilities Management division. Our sustainability drive, acknowledged as one of the best in the sector, contributes positively to our business, our clients and to mitigate climate change.

The environment in which we operate is changing at a rapid pace. Issues such as the economy, demand and supply dynamics, the way people travel and work, real estate advisory services and clients who are more informed about their space needs, have made our environment very competitive.

To stay ahead we need to understand the demands of the environment and our clients better, and adapt our strategies to deliver our stated objectives.

Facilities Management

Objectives

Our Facilities Management division is responsible for fostering a culture of collaboration to support the delivery of maintenance solutions, value-adding client experiences, and quality facilities throughout the asset lifecycle. It is guided by best practice and legislation.

Key performance indicators

- Improving customer experience with knowledge sharing, standardisation and consistency of the facilities management function across the organisation
- Maintaining all mechanical, electrical, structural and civil aspects of each asset under management within the investment strategy
- Ensuring that all assets comply with and are maintained within the Occupational Health and Safety Act (OHSA), local by-laws, and SABS/SANS standards
- Providing operational touch points or interfaces for developments, sustainability and other infrastructure programmes
- Investing in and researching enabling technology solutions to streamline service delivery and automate integrated processes
- Maximising B-BBEE spend on services procured for operating and maintaining properties
- Continuous drive to enhance and improve the client experience
- Continuously researching and benchmarking expenses and facilities management best practices to create value for all stakeholders.

Highlights for FY18

Growthpoint is a proud, active Platinum member of the South African Facilities Management Association (SAFMA) and the GBCSA. Our team continues to drive and participate in the SAFMA professional accreditation programme and the GBCSA Green Star SA Accredited Professional programme for existing and new buildings. We have enhanced our Risk Improvement Management System (RIMS) by adding an online KPI reporting module to proactively manage Growthpoint's service delivery to our clients more effectively. Strategic facilities management standards – SANS 1752 and ISO 41001 – were published and Growthpoint is working closely with the Compliance Working Group to secure our compliance and certification to these standards. The ISO 41001 constitutes a benchmark for facilities management standards and has become a prerequisite to align facilities management strategies with the organisational strategies. We launched our facilities management Centre of Excellence (CoE) to drive synergies and best practices and to improve collaboration between Growthpoint's retail, industrial and office sectors, and this has proven to be extremely successful to date. The Growthpoint Maintenance Service Desk has proven to be very successful since it was launched in May 2015. The system has been enhanced to effectively manage statutory maintenance; lifecycle costing and plant maintenance of all plant and equipment. The launch of the new Thrive Portfolio helps to enhance and improve the client experience in line with our property management strategies to drive service excellence. This year we launched an Academy of Excellence. This internal

COO: RSA statement continued

knowledge-sharing programme draws information from Growthpoint's own staff, who are experts in their respective fields. It will ensure the retention and transfer of invaluable hard and soft skills in technical, financial and business fields within the organisation. We explore various artificial intelligence and "internet of things" platforms that could assist us in our business processes.

Information technology (IT)

Objective

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

Key performance indicators

- Effective use of outsourced operations and internally focusing on enhancing IT value to the business
- Optimising performance of the IT infrastructure and the deployment of human resources
- Identifying, assessing, mitigating and monitoring IT risks
- Securing the IT environment and reducing vulnerabilities affecting operations and the business
- Complying with the King IV™ IT governance principles
- Successful business continuity planning and disaster recovery testing
- Monitoring IT spend versus budget
- Devising IT strategy
- Business continuity.

Highlights for FY18

Following the introduction of a new IT governance framework last year, it has now been implemented, including establishing and implementing regular monthly IT user forums and quarterly IT steering committees. Further IT policies are being developed in line with framework for the governance and management of IT (COBIT) good practice framework. The request for proposal (RFP) process was finalised and three new systems from two vendors are being implemented for our business processes.

The rollout of these systems began in January 2018, and will continue for three years. Business benefits flowing from implementing these systems include the standardisation of business processes and greater business efficiency. During the year we concluded 40 successful projects. These include:

- Deploying our new procure-to-pay solution Fraxion Spend Management for property management
- Deploying Robotics Process Automation (RPA) tool Automation Anywhere to manage interfaces between our new procurement solution and existing and future property management solutions
- Migrating to SharePoint online
- Implementing new municipal payments solution, Walletdoc
- Further deploying and standardising of Hosted IP Exchange (HIP)
- Upgrading from SQL 2008 to SQL 2016.

Legal

Objective

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

Key performance indicators

- Standardising documentation within the business to identify, monitor and manage risk
- Implementing and improving procedures to ensure compliance with legislation
- Providing solutions to legal challenges that are practical, innovative and enhance business
- Monitoring ongoing projects/ transactions to ensure risks are managed, deadlines are met, and costs reduced
- Keeping employees abreast of new legislation and amendments to existing legislation
- Ensuring employees are trained regularly and assisted with the legal aspects of our day-to-day business.

Highlights for FY18

We updated all lease agreements and standard addenda in line with current industry trends and legislation. We contributed towards the drafting and implementation of the anti-corruption and gift policies. Our team is currently preparing for the implementation of the Protection of Personal Information Act requirements. In addition, we implemented safeguards to ensure compliance with the Construction Regulations of the Occupational Health and Safety Act and updated our standard professional consultants' services agreements (PROCSA) to ensure an efficient turnaround time while safeguarding the company. We managed and ensured the successful transfer of 30 properties. We implemented processes to monitor and manage conveyancers on the panel. We provided ongoing assistance for finance agreements with our financiers.

Procure to Pay

Objectives

Our Procure-to-Pay division creates seamless processes for the way in which we work by collaborating with various internal and external stakeholders. This division drives value in the focus areas of cost efficiencies, RFPs, projects, supplier negotiation, measuring supplier performance and B-BBEE supplier development. It ensures that key spend goes through the Procurement division and is involved in the development phase of stakeholder projects. It is responsible for achieving compliance through best practice processes and policies. This service leads stakeholder engagement to consolidate and leverage our company-wide spending power. Similarly, it manages supplier numbers to leverage meaningful supplier relationships. It optimises our use of working capital. Procure-to-Pay ensures that contracts and service level agreements are in place with suppliers.

Key performance indicators

- Achieving total cost savings from approved projects, RFPs and negotiations
- Ensuring quality service delivery through a regimented and fair process of supplier selection and award of business
- Implementing and recording of cost savings and cost avoidance
- Reducing lead time with suppliers and service providers
- Attention to high spend suppliers
- Improving Growthpoint's B-BBEE scorecard
- Ensuring contract compliance
- Compiling quarterly reports.

Highlights for FY18

The number of active approved suppliers on our system was reduced to 4 173 and we will ensure all supplier documents are updated to remain compliant for the next 12 months. We engaged with suppliers that do not comply with B-BBEE to encourage and assist them to improve their scorecards and to try to increase our spend with B-BBEE compliant suppliers. Our new system, P2P-Fraxion, was implemented and replaces manual order books. It has been well received in the business and facilitated 1 000 orders within its first ten days. We expect better work efficiencies with standard controls and procedures in place. It also provides more statistics to analyse spend and trends in the business, supporting continuous improvement in our strategic supplier chain. It allows for better rate negotiations on bulk spend trends. We engaged manufacturers to explore buying directly from them with negotiated rates that optimise the spending power across our portfolios. As part of this exercise, we successfully identified better fit-for-purpose options with several manufacturers. We will grow these relationships and build new ones.

Retail

Even with some retailers downsizing there is demand for retail space in good shopping centres.

Neil Schloss
Head of Asset Management: Retail

OVERVIEW

Constrained GDP growth	The economy is the overarching influence on the retail sector. GDP growth was forecast in the 2% range but plunged to -2% in the first quarter of 2018. GDP growth expectations for the year have been revised down to 1.2% from the 2% mark. We need the economy to grow and create jobs and confidence in order for retail growth to take place.
Consumers under pressure	Shoppers in the lower income groups are being hobbled by stubborn unemployment, the increase in VAT and soaring fuel prices. Higher earners are facing painful increases in areas such as medical aid and school fees.
Low to negative like-for-like growth for retailers	Results from many retailers have shown low to negative like-for-like performance. Retailers are striving to achieve efficiencies across the board, from better logistics to decreased store footprints. This does not mean all stores are getting smaller, but there are very real examples of this happening.
Consumers trading down and seeking value	Consumers of all income groups seek value. The value retail category continued to produce solid sales figures with the majority of these retailers maintaining or growing turnovers.
International retail	Interest from international retailers has pretty much dried up. Those already here, like Cotton On which originally went on an aggressive rollout, are now cutting back and even closing some stores, while H&M is expanding. Two Australian brands, Lovisa and Bras N Things, are in a rollout phase.
Tenant failures	Growthpoint had no major exposure to tenant failures during the year.
New development of retail space	The pace of new developments has slowed. Retailers are more cautious about the opportunities they take up and the quality of space they consider. The opportunity to develop new shopping centres in major metropolitan areas are limited, so developers are turning their attention outside these areas, which comes with its own risk.

Performance

FY18 was not an easy year, but we are happy with our performance. Our net income was in line with expectations and grew by 4.2% on a like-for-like basis.

Trading density growth was muted throughout the 12 months. Shopper foot counts were flat or marginally down.

Tenant retention was a key focus. With few tenants wanting to take up new space, keeping our retail buildings occupied was an imperative. Vacancies remained under control but reversion escalation rates remain under pressure. Our rental renewal rate was good, although slightly below our 90% target.

Even with some retailers downsizing, there is demand for retail space in good shopping centres. With Growthpoint's shopping centres being mainly regional and small regional malls, there are retailers that are not yet represented in the tenant mix of certain centres. If one tenant closes, there are usually other retailers we can introduce to that centre.

Rentals remain under pressure. Rental escalations are outpacing trading density growth, leading to disappointing rent reversions and we anticipate that flat to negative rental renewal growth will impact the portfolio's performance for several years.

We are finding lease negotiations tough. It is very much a tenants' market. Property is cyclical, and we believe that our responses are suitable for this point in the cycle.

KEY LEASING ACHIEVEMENTS	RESULT
Woodmead Retail Park ten-year lease cycle	The centre is fully let, despite Mall of Africa recently opening nearby and the difficult economic climate.
Watercrest Mall first lease renewal cycle	We renewed 41 of 43 expiring leases.

Cost efficiencies

Managing building utilities had a positive impact on our performance and we believe there is still scope to improve, although at lesser gains than we have already achieved. We concentrate on achieving greater energy and water efficiencies, because these have the potential to generate large savings for tenants. Utilities and property assessment rates that are now increasing at higher than inflation levels are large expenses for tenants that they have started to employ their own utilities managers.

The days of cheap electricity are over and we all have to be better at managing it. We are enjoying the benefits of energy savings because of the renewable energy we generate with our solar plant installations. We have targeted these installations at our core retail assets in high-tariff municipalities. We keep a close eye on electricity consumption and charges, because this is a significant expense and needs to be tightly managed.

Water consumption came into sharp focus for our Western Cape shopping centres and resulted in a substantial shift in the way we approach water use in these retail assets. Interventions ranged from improved leak detection to introducing boreholes and backup tanks. Importantly, our public-facing retail assets helped to drive behavioural changes, not only on our part but among our retailers and restaurateurs, their staff and customers, so that water efficiency became the new norm.

Retail continued

Portfolio highlights

KEY ACHIEVEMENTS

N1 City acquisition	We successfully purchased the remaining 58% undivided share in N1 City Mall from Redefine Properties and now own 100% of this asset. Growthpoint prefers to be the full or controlling shareholder of our retail assets. This transaction furthered our goal of expanding our retail exposure in the Western Cape.
Hatfield disposals	We sold our Hatfield properties in a well-timed R417m exit. This is a non-core node for us and the transaction strengthened our portfolio's alignment with our investment strategy.
City Mall repositioning	We introduced Cambridge Foods into City Mall – a first in our portfolio. This is the first step in our strategic repositioning of the asset and introducing the supermarket to the mall is a good foundation to build on.

Key performance indicators	FY18	FY17
Gross property revenue (R million)	**3 244**	3 099
Property expenses (R million)	**(834)**	(792)
Net property income (R million)	**2 410**	2 307
Property expense ratio (%)	**25.70**	25.6
Vacancies (%)	**3.60**	3.6
Arrears (R million)	**35.5**	35.2
Bad debt provisions (R million)	**9.8**	12.5
Average gross rental (R per m²/month)	**186.5**	176.0
Average annualised yield (%)	**8.2**	7.6
Average in-force escalations (%)	**7.0**	7.2
Weighted average lease period (years)	**3.2**	3.3
Asset value (R billion)	**29.8**	29.5
Number of properties	**50**	56
GLA (m²)	**1 390 878**	1 405 021
Value (excluding bulk) per m² (R)	**21 452**	21 036
Capital expenditure (R million)	**402.6**	504.0

Developments

Our development activity was focused on creating and unlocking potential within our key portfolio assets. We are upgrading and investing in our shopping centres to keep them modern, relevant and appealing. Consumers expect shopping centres to be more than places to transact from nine to five; they want places to visit, spend time and enjoy themselves. This requires offering a range of experiences.

We have embarked on a refurbishment programme, moving away from themed centres and converting them into classic, timeless designs that incorporate indoor and outdoor dining, with piazzas where people can congregate and socialise. Where centres lend themselves to it, we are also considering adding various entertainment concepts and trends.

ASSET	PROJECT
Walmer Park	Redevelopment of the former cinema premises, relocating Dis-Chem and introducing H&M. This will complement the centre's existing offering, which includes a Zara.
Northgate	Downsizing of the 22 000m² Pick n Pay Hypermarket to accommodate a new flagship Pick n Pay.
Lakeside Mall	A major internal refurbishment commenced in January 2018 and will be completed by November 2018.
River Square	Internal refurbishment and reconfiguration of the mall interior.
Festival Mall	The major internal refurbishment and an upgrade of the taxi holding area commenced in January 2018 and will be completed by April 2019.
Kolonnade	Development of outdoor piazza accommodating casual dining.

La Lucia Mall's refurbishment will go ahead in the new year, along with smaller improvement projects at N1 City Mall and Longbeach Mall.

There were several asset management interventions still awaiting third-party approval at year end that we had hoped to conclude.

Prospects

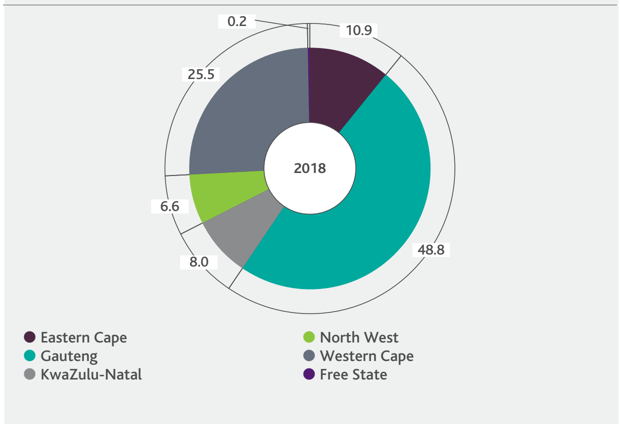
Escalations and rental reversions are likely to remain under pressure on the back of sluggish economic growth. We expect the retail sector to remain muted for the next year, at least. The economy needs to grow for this to change. Where we have demand from tenants at our malls, we will explore extensions and ways of unlocking value. We are prioritising strategic leasing solutions such as early renewals to retain our edge with certain tenants and secure the exclusivity of retail drawcards in a node.

We will focus on tenant retention by staying close to our tenants, spending time with them to understand their business models and sharing our information and insights with them. Attracting new tenants and keeping new retailers comes down to the product – offering them the right space in the right shopping centre that successfully attracts the right customers. We will invest in our retail assets to ensure they are attractive and competitive.

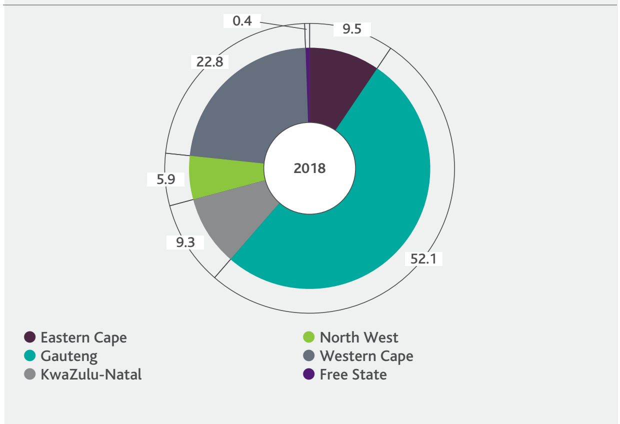
We are engaging with Edcon about its restructure. We have reduced exposure to Edcon within our portfolio in several instances, taken back space to the extent that we can. Their wish list of space reductions in our portfolio is being considered and we are approaching negotiations around these in a responsible manner and on a property-by-property basis. Where we can, without compromising our business, we will reasonably assist them. Our engagements with Edcon have been good and we appreciate its transparency.

Retail continued

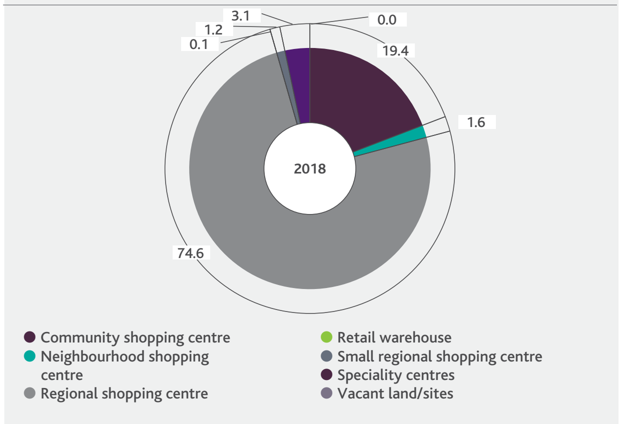
Geographical split by value (%)



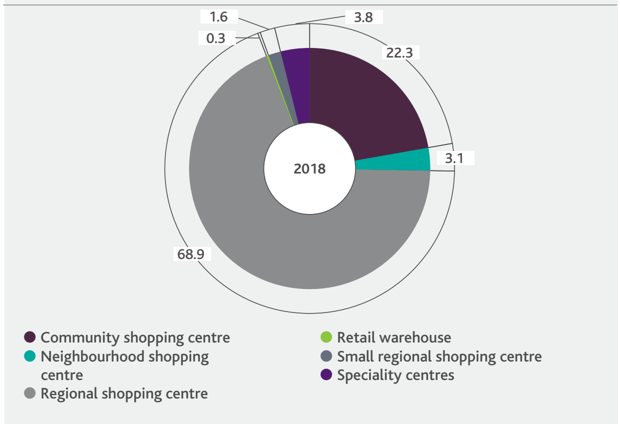
Geographical split by GLA (%)



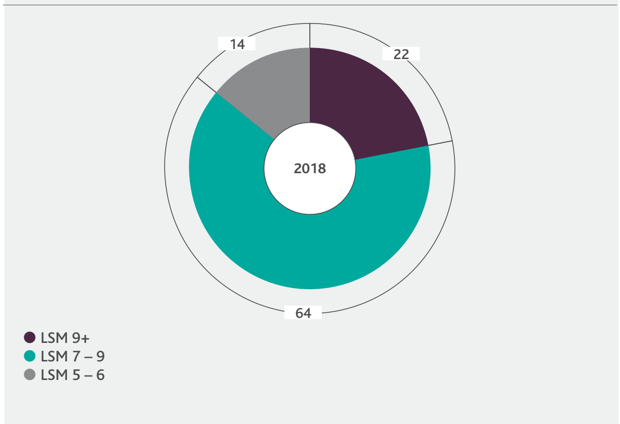
Segmentation split by value (%)



Segmentation split by GLA (%)



Retail LSM by value (%)



Top retail tenants in the order of gross rental contribution as at 30 June 2018

	Tenants	GLA m²
1	Edcon Holdings (Pty) Ltd	116 636
2	The Foschini Group Limited	60 072
3	Pepkor Holdings Limited	71 223
4	Shoprite Holdings Limited	141 436
5	Mr Price Group Limited	56 469
6	Pick n Pay Stores Limited	112 254
7	Truworths International Limited	32 883
8	Massmart Holdings Limited	66 839
9	Woolworths Holdings Limited	89 772
10	Clicks Group Limited	28 061
Sub-total		775 644
Balance of the sector		565 208
Total for the retail (excluding vacancies)		1 340 853

Retail properties top **10 by value**

1

Brooklyn Mall and Design Square
(75%) Pretoria
Brooklyn Mall measures **56 319m² (75%)**, and is valued at **R2 082m**

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.

2

N1 City Mall
Cape Town
N1 City Mall measures **63 374m²**, and is valued at **R1 702m**

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.

	1	2	3	4	5
	Brooklyn Mall and Design Square (75%)	**N1 City Mall**	**Festival Mall**	**Greenacres**	**Waterfall Mall**
Location:	Pretoria	Cape Town	Kempton Park	Port Elizabeth	Rustenburg
Value Rm:	R2 082m	R1 702m	R1 695m	R1 570m	R1 562m
% of total retail portfolio:	7.0	5.7	5.7	5.3	5.2
GLA m²:	56 319m²	63 374m²	83 368m²	49 475m²	49 734m²
% of total retail GLA:	4.0	4.6	6.0	3.6	3.6

3

Festival Mall
Kempton Park

Festival Mall measures **83 368m²**, and is valued at **R1 695m**

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.

4

Greenacres
Port Elizabeth

Greenacres Shopping Centre measures **49 475m²**, and is valued at **R1 570m**

Greenacres Shopping Centre draws shoppers from across the Eastern Cape. Located just five minutes from Port Elizabeth's CBD, it is in close proximity to all major arterial roads and the N2 freeway. The newly revamped centre has 122 tenants.

	6	7	8	9	10
	Lakeside Mall	**Vaal Mall (66.6%)**	**Kolonnade (50%)**	**La Lucia Mall**	**The Constantia Village**
Location:	Benoni	Vanderbijlpark	Pretoria	Durban	Cape Town
Value Rm:	R1 413m	R1 305m	R1 173m	R1 162m	R1 147m
% of total retail portfolio:	4.7	4.4	3.9	3.9	3.8
GLA m²:	65 366m²	44 014m²	38 317m²	37 286m²	20 391m²
% of total retail GLA:	4.7	3.2	2.8	2.7	1.5

Office

In an economy where the office sector's economic drivers still indicate that it is a sector under pressure, Growthpoint's office portfolio is outperforming the MSCI benchmark.

Paul Kollenberg
Head of Asset Management: Office

OVERVIEW

Limited new tenant demand	There are still a few international businesses entering the South African market, but there is very little local business growth. Economic conditions are tough and while business failures were previously evident in smaller operators, we are now also seeing these in mid-size businesses.
Pressure on rentals	There has been no rental growth in the sector, with the exception of specific nodes.
Consolidating and downsizing	Tenancies are declining in response to the tough operating environment, with businesses looking to make more efficient use of their office space. The trend is towards occupying less space, consolidating offices and higher staff densities.
Micro-location demand	Demand is confined to specific nodes and certain grades of buildings. Our Durban and Cape Town portfolios are showing lower vacancies than elsewhere. In Johannesburg, there is demand for the right quality of building in Bryanston, Rosebank and Sandton. As businesses move into newer developments, however, they are leaving behind older stock. Desirable nodes are much more closely defined and detailed.

Performance

We are still achieving an annual escalation of more than 8% on leases when we sign new contracts. When leases are renewed, rental growth is reverting and is now negative. This renewal reversion makes our rental income streams uneven. The pressure on rentals makes it easy and affordable for businesses to take up new space in more efficient, greener buildings. On the upside, it is now easier for us to have conversations with tenants who want to move.

Our portfolio vacancies are below industry benchmarks and our arrears are better than sector averages. While our letting success rate is on par with sector performance, we have not been as successful when it comes to renewals. The lower than desired tenant retention levels are a factor of the highly competitive market and the relocation of specific large tenants. Tenants have many options and landlords are offering very attractive deals to tenants that move.

Our tactics to mitigate this include the Smartmove initiative, which applies to specific buildings and helps give smaller businesses a soft landing into formal accommodation.

Like-for-like vacancies increased by around 1.5%, which is in line with our expectations and our budgets. The departure of BCX left a vacancy of 20 000m², which accounts for more than one percentage point by itself. The transfer of Harrowdene Office Park in Woodmead to Huawei also influenced our vacancy metrics.

As we continue our disposal programme to recycle capital, we expect to show a further deterioration in our vacancy percentage. This does not mean that there will be more vacant square metres in the portfolio, only that vacancies will be reflected as a percentage of a lower total gross lettable area (GLA). Our sale of the Investec building to Investec, for example, will subtract 70 000m^2 of fully let space from our portfolio, resulting in a 0.3% increase in the vacancy figure.

We have done well in helping existing tenants who wish to move to a different node, such as relocating Engen from Parktown to Sandton. Growthpoint has a large office portfolio with quality buildings in sought-after nodes, which puts us in an excellent position to relocate tenants. It all comes down to having good relationships.

Improving vacancy and renewal levels will be priorities in the coming year. Because there is a correlation between vacancy and arrears levels, we will be keeping a sharp eye on arrears. We will try to keep our new-let levels high, having successfully placed new tenants in nearly 200 000m^2 of vacant space in FY18.

Cost efficiencies

The circumstances around Cape Town's water shortage had both positive and negative impacts on our office buildings in the city that went beyond the higher cost of water. We were forced to invest substantially in making our buildings resilient in the face of the extreme water shortage, but we came up with good, inventive solutions that are future proofing those buildings. While we have always been cognisant of our environmental impacts, Cape Town's water woes have proven to be a catalyst in making us much more water conscious. Water security has also become a priority for our clients.

Growthpoint successfully took The District in Woodstock, Cape Town, completely off the municipal water grid to become our first "water net-positive" building. This is a multi-tenant office building with 18 721m^2 of lettable area that accommodates 25 businesses. It is used by around 1 750 people daily who consume about 45 000 litres of water a day. Growthpoint has replaced the municipal water supply for the building with a safe and sustainable alternative source by filtering water from a natural mountain spring that flows to the building's basement. This was no simple feat. We had to identify and adapt an existing technology that had never been used for this type of water filtration before. Our team worked with the City of Cape Town to get special legislation passed to allow us to produce potable water on a large scale. In addition, we had to get buy-in from the building's tenants. This innovation takes pressure off the city's potable water reserves, adds to the resilience of the water system and contributes positively to the environment. This is the first of several commercial properties in Cape Town that we intend to take off the grid.

Portfolio highlights

We continue to add assets that align with our investment strategy, especially new developments that are tailor-made to our criteria. Efficiency and flexibility are among the key criteria for new buildings. We want offices in our portfolio to be green certified, whether they are new or established assets. We continue to look for quality buildings in good areas that will add to the strength of the portfolio.

KEY ACHIEVEMENTS

Discovery head office development	Completing the new Discovery headquarters was a major milestone for Growthpoint and Zenprop, our co-development partners. The project was delivered on time and came on stream during the year. By working closely with Discovery around its needs, this collaborative effort has delivered an excellent asset for our portfolio that has been well received by the client.
Thrive Portfolio	Growthpoint Properties' new premier portfolio, rated by both SAPOA and the GBCSA, is the first of its kind locally. At year end the portfolio consisted of 86 dual-rated office buildings in excellent locations nationwide, spanning a total of around 950 000m^2 and valued at almost R19bn. Platinum Thrive Portfolio buildings have a SAPOA Premium or A-grade rating, as well as 4-Star or higher GBCSA rating or an Energy and Water Performance (EWP) certification. Gold Thrive Portfolio buildings are SAPOA B-grade rated or higher and have a GBCSA EWP certification or have received at least a 3-Star Existing Building Performance certification. These buildings incorporate smart technology that gives occupiers the benefit of electricity and water savings. The reduced energy costs are transparently shared on the multifunctional Growthpoint app. While it is too early to track the impact that introducing this portfolio has had on our leasing, we are already confident that it enhances the efficiency of our buildings, the longevity of our assets and the reduction of our carbon footprint.

Office continued

There is a clear trend of thriving office nodes around transport hubs, such as Gautrain stations and highway offramps. We are following the demand from tenants by investing in these areas and, going even further, by tying in our office properties and developments with current and future transport modes and access routes.

Developments

We have exciting developments underway, especially in high-growth nodes with great access. We are developing more space in Umhlanga Ridge, where we have launched several office buildings in recent years that all filled up quickly. Here, we see demand clustered around highway access points and close to the King Shaka International Airport and other amenities. We are also developing a new corporate head office for Exxaro, directly across the road from the Centurion Gautrain station.

Around 30% of our inland portfolio is located in Sandton, which has seen many major developments as well as upgrades to its transport and road infrastructure leading to disruption and congestion in recent years. However, the wave of transformative development has now settled down, urban dynamics are much more effective and it has become a better environment to be in. Businesses that saw through this cycle and positioned themselves in Sandton central despite the development activity are reaping the advantages of prime positions at affordable rentals and will benefit for years to come. We still see development potential in the node.

Traffic congestion in Cape Town's major business areas is resulting in the rise of new and different nodes around the city. There is demand for good buildings in decentralised locations and in line with this, we are currently constructing a new 4-Star rated green office building in Draper Street, Claremont, and conceptualising a new office building in Tygerberg.

Prospects

We expect this to be a consolidation year for our office portfolio. We will focus particularly on the fundamentals of reducing vacancies and staying close to our tenants. We believe passionately that energy-efficient, high-performance workspaces are the future of offices and will educate businesses about the benefits of green buildings.

We have strategies in place to fill large vacancies and are optimistic they will be taken up. There will always be tenants vacating properties in a portfolio as large as ours. Because we stay close to our clients, we know well in advance when significant vacancies will occur and can address them early. There is a demand for good space, but letting in this market takes time.

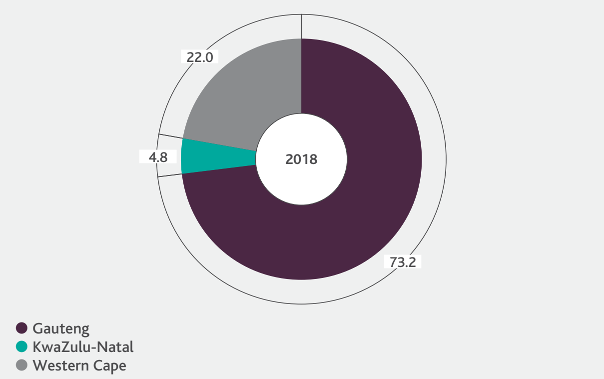
Key performance indicators	FY18	FY17
Gross property revenue (R million)	**3 779**	3 632
Property expenses (R million)	**(848)**	(819)
Net property income (R million)	**2 931**	2 813
Property expense ratio (%)	**22.4**	22.5
Vacancies (%)	**8.6**	6.8
Arrears (R million)	**16.9**	12.8
Bad debt provisions (R million)	**7.8**	5.2
Average gross rental (R per m^2/month)	**158.8**	155.2
Average annualised yield (%)	**8.7**	8.4
Average in-force escalations (%)	**7.4**	8.1
Weighted average lease period (years)	**3.9**	3.8
Asset value (R billion)	**35.3**	34.7
Number of properties	**179**	182
GLA (m^2)	**1 791 626**	1 750 606
Value (excluding bulk) per m^2 (R)	**19 023**	18 454
Capital expenditure (R million)	**1 065**	1 160

Top office tenants in order of gross rental contribution as at 30 June 2018

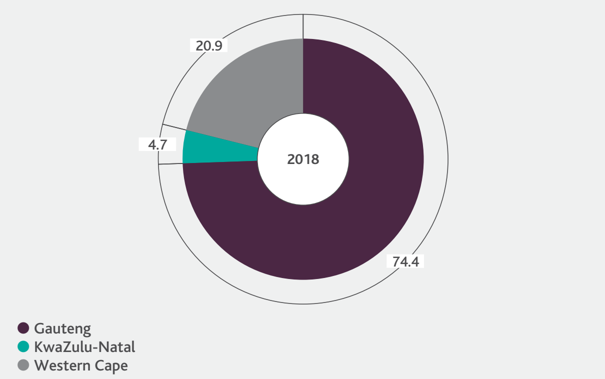
	Tenants	GLA m²
1	Investec Bank Limited*	83 781
2	Deloitte (South Africa)	47 680
3	Discovery Holdings Limited (55%)	65 501
4	Transnet	31 535
5	EOH Holdings Limited	41 363
6	Absa Bank Limited	27 366
7	FirstRand Bank Limited	16 156
8	Edward Nathan Sonnenbergs Incorporated	14 889
9	Nestlé South Africa (Pty) Ltd	11 986
10	Norton Rose SA	7 969
Sub-total		348 226
Balance of the sector		1 288 577
Total for the office sector (excluding vacancies)		1 636 803

** This building was sold subsequent to FY18.*

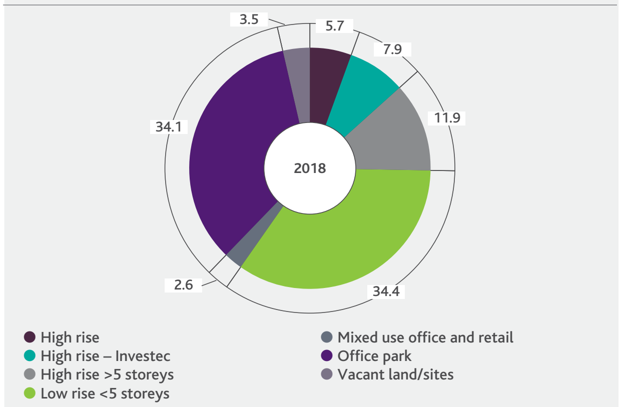
Geographical split by value (%)



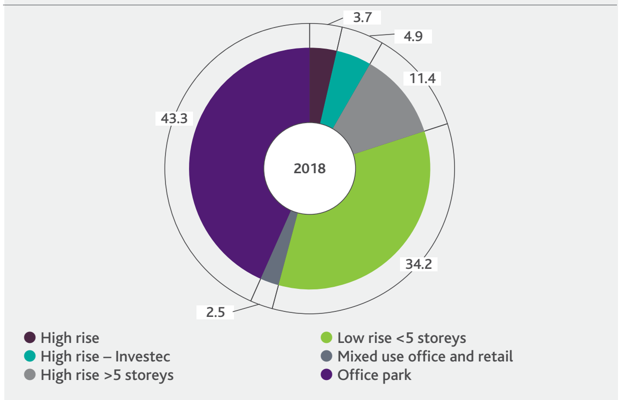
Geographical split by GLA (%)



Segmentation split by value (%)



Segmentation split by GLA (%)



Office properties top **10 by value**

1

Investec
100 Grayston Drive
Sandton

100 Grayston Drive measures
70 945m²,
and is valued at
R2 187m

This iconic P-grade office building is a landmark at the gateway to the central Sandton banking hub. It is fully let to a single tenant, Investec. This building was sold to Investec subsequent to FY18.

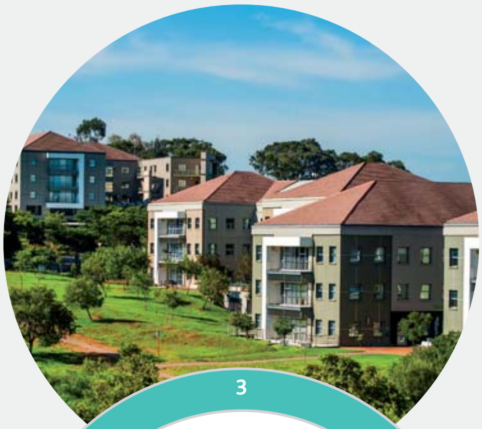
2

Discovery
1 and 2 (55%)
Sandton

Discovery 1 and 2 measures
63 933m²,
and is valued at
R1 856m

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

	1	2	3	4	5
	Investec 100 Grayston Drive	**Discovery 1 and 2 (55%)**	**The Woodlands**	**Constantia Office Park**	**Inanda Greens, Wierda Valley**
Location:	Sandton	Sandton	Woodmead	Roodepoort	Sandton
Value Rm:	R2 187m	R1 856m	R1 792m	R1 106m	R987m
% of total office portfolio:	6.2	5.3	5.1	3.1	2.8
GLA m^2:	70 945m^2	63 933m^2	125 874m^2	73 212m^2	40 774m^2
% of total office GLA:	4.0	3.6	7.0	4.1	2.3



3

The Woodlands

Woodmead

The Woodlands measures **125 874m²**, and is valued at **R1 792m**

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.

4

Constantia Office Park

Roodepoort

Constantia Office Park measures **73 212m²**, and is valued at **R1 106m**

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.

	6 The Place	7 MontClare Place	8 Inyanda 1, 3 and 4, Parktown North	9 Golf Park, Mowbray	10 Country Club Estate, Woodmead
Location:	Sandton	Cape Town	Johannesburg	Cape Town	Johannesburg
Value Rm:	R894m	R668m	R561m	R533m	R504m
% of total office portfolio:	2.5	1.9	1.6	1.5	1.4
GLA m²:	35 156m²	29 649m²	23 196m²	30 790m²	33 142m²
% of total office GLA:	2.0	1.7	1.3	1.7	1.8

Industrial

Industrial property as an asset class has come into its own over the past three years, despite a challenging economic backdrop.

Errol Taylor
Head of Asset Management: Industrial

Overview

Growth drivers

Fundamentals that drive good performance from industrial property include GDP growth that is higher than population growth, business confidence and increased employment levels as well as higher wages that support increased household spending and a larger tax base.

Warehousing and logistics

The sector favours storage and logistics properties over traditional manufacturing properties that are user-specific, power hungry and labour-intensive. Warehousing and distribution hubs are generic in design and construction, making them suitable for a wide pool of users and thus better investments.

International tenants and standards

International tenants are driving the demand for storage and logistics properties. Their focus on sustainability, quality and standards has resulted in facilities that offer higher stacking capacities and easier access to products. Logistics buildings are getting taller, with super-flat floors and larger yards in which to manoeuvre super-sized interlink road transport.

Industrial and retail property synergies

South Africa's consumption-based economy buys products that mostly originate from overseas countries. Local consumer habits are aligned with global consumer trends, including the demand for instant gratification. Retail supply chains are becoming increasingly sophisticated to keep shelves stocked and generate sales. There are strong synergies and dependencies between the retail and industrial storage and logistics property sectors. The consumer's purchasing power influences the performance of both sectors.

Consolidation of space

Responding to the pressures of increased competition and pedestrian economic growth, consolidation aimed at improving efficiencies and economies of scale has become the order of the day.

Global trade

Global trade scenarios such as Brexit and the USA's "trade wars" impact South Africa's ability to attract foreign direct investment. The country's own performance and policies play a big role, including the political rhetoric around land expropriation without compensation and the forthcoming election.

Performance

Our team faced many complex challenges, including some large vacancies in nodes outside the major metros and in some growth nodes, and some substantial bad debts, but was still able to perform slightly better than sector benchmarks.

Our overall vacancy level increased from 3.1% to 4.0% in FY18. Vacancies in the Western Cape and KwaZulu-Natal are, however, exceptionally low at less than 2%. Client retention in the portfolio declined by a percentage point to 68%, with arrears moving in tandem from 6.8% to 7.8%. Contractual lease escalations remained at more than 8% a year.

The weighted average lease expiry in the portfolio is three years and around 25% fewer leases expired in the industrial portfolio in FY18 compared with FY17. This shows in the significantly lower numbers for leases concluded, space leased and lease value.

KEY ACHIEVEMENT

Paul Smit Street, Anderbolt	We are extremely pleased that our largest vacancy was successfully let, effectively reducing vacancies in the Gauteng portfolio by 18 000m² and supporting our decision to sell a 6 700m² vacant refrigerated warehouse, in the same area.

Our 13 000m² property in Middelburg remains vacant, pending its imminent sale.

Cost efficiencies

Utilities are a major business cost for many of our clients. Offering industrial properties that can keep operating costs down by consuming less electricity and water is an attractive proposition.

There is no GBCSA green rating tool for existing industrial buildings in South Africa. In 2017, however, Growthpoint embarked on a partnership with Solid Green, Zenprop, Improvon and the GBCSA to develop a custom Green Star SA existing building performance rating tool for industrial properties. We provided three of our properties for a seven-building pilot. The benchmarking phase of the project is complete and we expect the tool to be available in FY19. Green-certified industrial buildings will provide clients with an external verification of their building's efficiency.

Water has been a significant focus in our portfolio, especially in the Western Cape. We have worked with tenants who have eagerly collaborated in finding solutions to ensure water security at their properties, such as sinking boreholes.

Portfolio highlights

We have focused on rebalancing the portfolio by reducing our exposure to assets that fall outside our long-term core investment criteria. We have boosted our exposure to specific property nodes, types, tenancies, sizes and grades to improve sustainable portfolio performance.

KEY ACHIEVEMENT

Disposal programme	Our largest achievement, undoubtedly, is disposing of several non-core assets located mainly in Gauteng, except for one in Richards Bay. These transactions will have a positive impact on future portfolio performance. Of the 38 industrial properties spanning 347 000m² that were earmarked for disposal during the year, several have been transferred and the rest are at various stages of transfer.

Growthpoint Business Park in Midrand, which has an unusually high office component, is facing competition from new developments in Waterfall City, as well as a nodal oversupply and high vacancy rates. Several of its office tenants are relocating and the asset needs focused attention.

Acquisition opportunities were scarce, with few desirable assets coming to market during the year. In November 2017, Growthpoint acquired a logistics facility in Meadowbrook, Germiston, for R132m at a 9.25% yield. The freight facility spans 16 654m^2 and is occupied by a long-term client, Heneways Freight Services, with an extended lease of just over six years remaining.

To add suitable assets to the portfolio, we focused on developing and redeveloping investment-grade properties, located and sized to our investment criteria.

Developments

We started 11 new projects this year and completed six that together added more than 40 000m² to the portfolio at A-grade rental levels. These developments are in desirable areas where Growthpoint had been holding the land in its development pipeline.

Our new developments are concentrated in three main areas in Gauteng: Samrand, Midrand Central and Growthpoint Industrial Estate in Meadowdale. Both Midrand Central and Growthpoint Industrial Estate are in the final phase of development, with little vacant land remaining.

Industrial continued

Both are exceptional success stories for our portfolio. Our development highlights in FY18 include:

ASSET	DEVELOPMENT PROJECT
Samrand	The 10 000m² Bakers warehouse in Samrand was completed and the tenant is in the process of acquiring the facility.
Growthpoint Industrial Estate	We completed a specialised 10 200m² warehouse development for Fast & Furious Distribution to accommodate its business growth and support the logistics company with features like cross-docking.
Millroad, Cape Town	We began two new developments in Cape Town that are due for completion in December. Millroad Phase 1 is a 20 000m² speculative development while Phase 3 is a 4 800m² facility for Laser Logistics. Phase 2 will be demand driven.
Wadestone	We began erecting a new 23 000m² facility in Wadeville that will come on stream during FY19.

Prospects

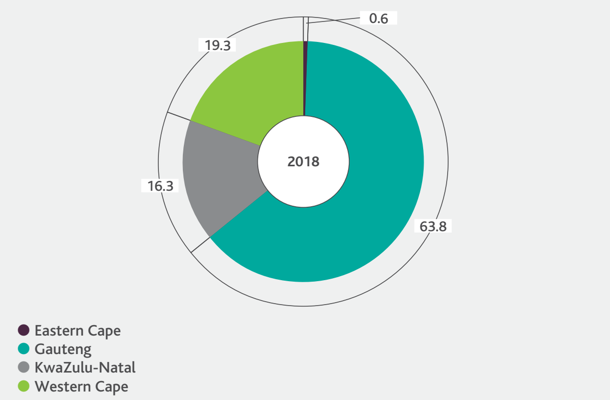
We expect a challenging year ahead, with global, local and sector-specific dynamics all putting pressure on performance. The industrial property drivers mentioned earlier in this report are the building blocks that will pave the way forward for improved performance from Growthpoint's industrial portfolio. Technology is driving performance and efficiencies for our clients, and we need to adapt our building designs to create the sustainable storage and logistics warehouses of tomorrow, today.

Key performance indicators	FY18	FY17
Gross property revenue (R million)	1 420	1 348
Property expenses (R million)	(325)	(290)
Net property income (R million)	1 095	1 058
Property expense ratio (%)	22.9	21.5
Vacancies (%)	4.0	3.1
Arrears (R million)	16.1	12.4
Bad debt provisions (R million)	9.8	8.4
Average gross rental (R per m²/month)	52.6	50.0
Average annualised yield (%)	9.1	8.7
Average in-force escalations (%)	8.1	8.3
Weighted average lease period (years)	3.1	3.1
Asset value (R billion)	13.4	12.6
Number of properties	225	233
GLA (m²)	2 254 812	2 266 957
Value (excluding bulk) per m² (R)	5 557	5 068
Capital expenditure (R million)	680	473

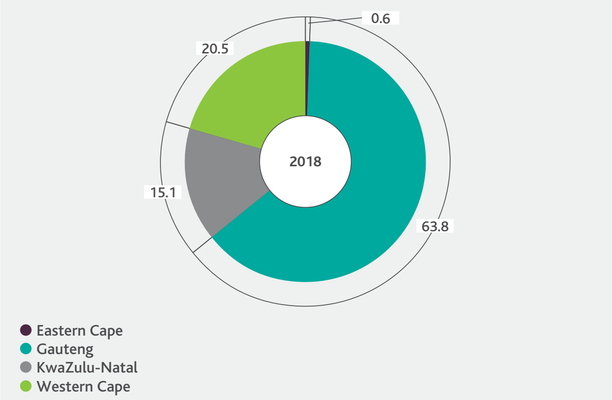
Top industrial tenants in order of gross rental contribution as at 30 June 2018

	Tenants	GLA m²
1	The Bidvest Group Limited	74 908
2	Adcock Ingram Holdings Limited	27 280
3	Consolidated Steel Industries (Pty) Ltd	60 267
4	Allied Electronic Corporation Limited	30 413
5	Scania SA (Pty) Ltd	23 717
6	Distell Limited	45 636
7	Pioneer Foods Limited	20 122
8	Barloworld Limited	18 516
9	Heneways Freight Services (Pty) Ltd	25 573
10	Nestlé South Africa (Pty) Ltd	16 255
Sub-total		342 687
Balance of the sector		1 821 058
Total for the industrial sector (excluding vacancies)		2 163 745

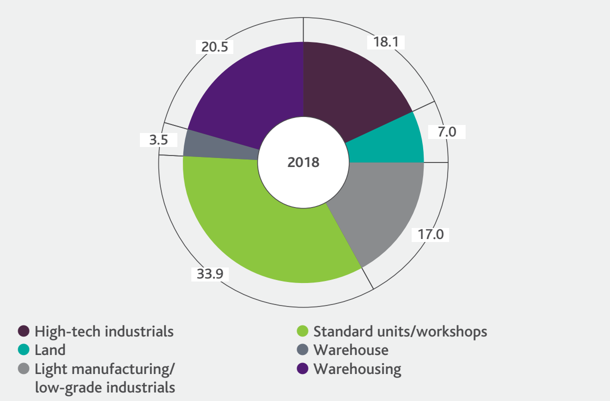
Geographical split by value (%)



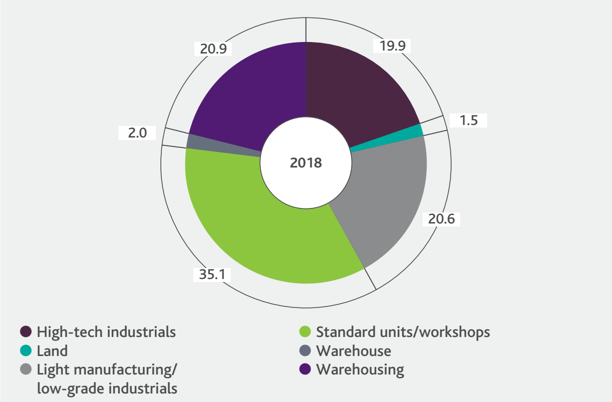
Geographical split by GLA (%)



Segmentation split by value (%)



Segmentation split by GLA (%)



Industrial properties top **10 by value**

1

Growthpoint Business Park

Midrand

Growthpoint Business Park measures **68 701m²**, and is valued at **R608m**

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.

2

Hilltop Industrial Park

Elandsfontein

Hilltop Industrial Park measures **76 283m²**, and is valued at **R366m**

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.

	1	2	3	4	5
	Growthpoint Business Park	**Hilltop Industrial Park**	**Montague Business Park (25%)**	**Runway Park, Mobeni**	**Isobar, Isando**
Location:	Midrand	Elandsfontein	Cape Town	Durban	Johannesburg
Value Rm:	R608m	R366m	R365m	R262m	R231m
% of total industrial portfolio:	4.5	2.7	2.7	2	1.7
GLA m²:	68 701m²	76 283m²	34 536m²	12 160m²	50 219m²
% of total industrial GLA:	3.0	3.4	1.5	0.5	2.2

3

Montague Business Park (25%)

Cape Town

Montague Business Park measures **34 536m² (25%)**, and is valued at **R365m**

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.

4

Runway Park, Mobeni

Durban

Runway Park measures **12 160m²**, and is valued at **R262m**

Two tenanted building with two multinational tenants, a medical manufacturer and a state-of-the-art new warehousing and distribution facility.

	6 Central Park, Elsiesrivier	7 Adcock Ingram	8 Omni Park	9 Rivonia Crossing 2	10 N1 Business Park (20%)
Location:	Cape Town	Midrand	Johannesburg	Sandton	Midrand
Value Rm:	R209m	R201m	R191m	R185m	R177m
% of total industrial portfolio:	1.6	1.5	1.4	1.4	1.3
GLA m²:	49 135m²	21 536m²	41 336m²	19 778m²	21 567m²
% of total industrial GLA:	2.2	1.0	1.8	0.9	1.0

Trading and **Development**

In FY18, Growthpoint disposed of its stakes in 30 assets for c.R4bn. The proceeds from these sales will be redeployed into Growthpoint's strategic investment priorities.

Rudolf Pienaar
Chief Development and Investment Officer

To support Growthpoint's strategies of optimising and streamlining its RSA portfolio and introducing new revenue streams to our business with third-party development fees and trading profits, we formed a dedicated Trading and Development division this year.

This new, specialised division plays a key role in creating excellent business opportunities for Growthpoint and world-class premises for our clients.

The team behind Growthpoint's Trading and Development division has a long track record of creating assets and value for Growthpoint. Until now, its in-house skills were held within each sector of our portfolio – office, retail and industrial. Now, however, the new division combines and integrates its cross-sector development and trading expertise to optimise our business strengths.

Optimising and streamlining our RSA portfolio

Even in this tough economic and market environment, as detailed on page 26 of this report, Growthpoint's RSA portfolio delivered superior performance in FY18. It outperformed the MSCI All Fund Universe total return benchmark and Growthpoint won the MSCI South Africa Real Estate Investment Award as the best performing property fund over ten years.

There is potential to unlock greater performance from our portfolio with strategic disposals, developments, acquisitions, refurbishments and redevelopments. Rationalising our portfolio is a key focus at this stage in our business.

Within our overall RSA portfolio strategy, each sector has its own unique asset management strategy and this new division supports each sector in realising its goals.

Performance

In FY18, Growthpoint disposed of its stakes in 30 assets for c.R4bn. The proceeds from these sales will be redeployed into Growthpoint's strategic investment priorities.

Growthpoint communicated to the market its plan to dispose of a portfolio of properties valued at almost R5.8bn. We are now in discussions with a specific party. A crucial part of this transaction will be its critical funding mechanisms. We envisage a BEE transaction that also benefits from skills transfer and we will inform the market when there is more to report. Uncertainty is inevitable in a complex transaction of this kind.

Growthpoint made six acquisitions during the year, these being:

- the remaining 58% of N1 City Mall to bring our holding to 100%
- a strategically located high-quality industrial property that is 100% let to a tenant on a long-term lease
- Exxaro corporate centre and land in Pretoria for trading and development purposes

- land in Mount Edgecombe Durban
- land acquired for development of the Head and Neck Hospital for the Healthcare Fund.

Development for Growthpoint's balance sheet is capped at 10.0% of the RSA portfolio value. At year end, it totalled 4.7% of this provision.

A FY18 highlight was completing the new Discovery headquarters in Sandton, which we delivered with our co-developer Zenprop. Other noteworthy projects completed include The Boulevard Phase 3 offices in Umhlanga and a specialised warehouse for logistics company Fast & Furious in Ekurhuleni.

We undertook several refurbishments and redevelopments, mainly of our retail properties such as Lakeside Mall, Festival Mall and River Square Shopping Centre, to optimise these flagship assets and ensure they remain relevant and competitive.

Growthpoint's major developments currently under construction for the RSA portfolio include:

Offices	Region	Size (m²)	Development cost R	Expected completion date
Lakeside Centurion	PTA	18 500	572 000 000	May 2019
144 Oxford	Jhb	19 300	787 000 000	October 2019
Sandton Summit – The Edge	Jhb	19 864	712 147 000	August 2020
Draper on Main	CT	5 759	164 550 721	May 2019
32 on Kloof	CT	2 388	79 802 473	December 2018
29 Richefond	KZN	3 419	90 959 074	June 2019

Additional information on these transactions, projects and portfolio strategies can be found in the retail, office and industrial sector reports.

Prospects

Growthpoint has a development pipeline of assets specifically chosen to meet its investment criteria. This includes strategic office developments, mainly in the high-demand nodes of Sandton, Cape Town and to the north of Durban, and industrial developments in high-demand nodes close to airports in main metropoles and other high-demand areas including Midrand, Durban North and the R300 in Cape Town.

We will evaluate each property in the RSA portfolio to identify opportunities to unlock value by refurbishing, redeveloping, repositioning, repurposing or earmarking it for sale. This is designed to identify opportunities to create value in the portfolio and refine its composition.

Third-party fee-earning developments and trading profits

Our new Trading and Development division enables us to leverage our skills to earn development fees and trading profits with solutions for third parties. Our collaborations are carefully tailored to meet the needs of each project and partner and designed to deliver strategic value-adding services and solutions.

Consistent with its sustainable business model, Growthpoint's goal is to generate consistent, recurring income from third-party development fees and trading profits that total no more than 2% of its distributable income. The income generated from these activities is capped at 5% of the RSA portfolio value. At year end, the total stood at 1.5%.

In FY18 we finished four major projects as part of this business. We developed a 10 000m² industrial facility for Bakers Transport in Samrand, which we are in the process of selling to our client.

Prospects

We have committed to developing another industrial facility of 28 400m² in Cato Ridge, KwaZulu-Natal for one of our major clients. We are also developing the 12 489m² Pretoria Head and Neck Hospital in Menlyn, in a joint venture with Cintocare, for Growthpoint Healthcare Property Holdings.

We have several major development projects planned that we believe are good opportunities. We have placed the existing Exxaro corporate head office on the market. We acquired this property as part of the transaction to develop Exxaro's new corporate head office in Centurion which will be ready for occupation from early 2019. We will continue to identifying further projects to support sustainable, steady income from this area of our business.

Our **people**

HR drives the high-performance culture of our RSA operations by promoting employee relations and collaborative family like values while offering competitive rewards.

Olive Chauke
Human Resources Director

Our HR service strives to create a positive life experience for each of our employees and to make Growthpoint an employer of choice, while protecting the interests of the organisation and ensuring it meets the set objectives.

We do this while complying with various labour laws, including the Basic Conditions of Employment Act, the Labour Relations Act, the Employment Equity Act, the Skills Development Act and others. We ensure that our work environment and conditions are attractive and conducive to optimising employee potential. Ensuring that potential employees are aligned to our culture and values is key to this success.

During the year we achieved progress in most of our areas of responsibility including:

- talent attraction and recruitment
- providing industrial relations advice
- employee relations management
- remuneration
- helping our leaders to manage talent
- policy design
- progress on job grading
- managing organisational change.

Highlights

With many internal changes, we prioritised the areas and actions likely to have the most impact on our people, our business and the value we create for our stakeholders, and focused on these first. They were talent management, transformation and succession management.

Talent management

At Growthpoint, our people enjoy what they do and care about those they work with, and we want to build on that positive work experience. We aim to ensure that our leaders prioritise people leadership over management, and to achieve a positive work experience for our employees.

HR drives the high-performance culture of our RSA operations by promoting employee relations and collaborative family like values while offering competitive rewards.

Following the organisational restructure which resulted in several executive level changes in FY18, we responded by focusing on leadership development, specifically in the areas of mentorship and coaching to foster leadership skills.

We want to ensure that best practices are in place for employee motivation and reward, which are key factors in retaining talent. Job grading will be a key driver for the organisation's human resource decisions and we are putting effort into the process to ensure that our employees are compensated competitively and enjoy a dignified wage.

The average age of our people is 44 years, and we have identified opportunities to introduce young talent, such as our graduate programme which absorbed all nine 2017 graduates, in line with our goal that all our departments should be inclusive and generationally diverse.

Transformation

To emphasise our commitment to transformation, we published our transformation strategy (ITS) this year. This document is available on our website https://growthpoint.co.za/BBBEEReports/Growthpoint%20Transformation%20Strategy.pdf and details our transformation commitments. It puts numbers to our targets and timeframes to our key focus areas to managing transformation.

Our management of transformation internally is based on employment equity legislation and to this end the company finalised its employment equity plan, effective 2018 to December 2020. The main objectives of this plan are achieving the set numerical goals and removing barriers to transformation. Our numerical goals require focus at the executive and senior management levels and we will enhance our succession and employee development initiatives to achieve this goal while continuing communication to our employee stakeholders.

Succession management

To remain effective, Growthpoint must be able to adapt to new organisational challenges and objectives. In an increasingly tough economy and facing stiff competition for talent and scarce resources, succession planning and management thereof is a tool that can give the company an edge. It enables Growthpoint to remain a market leader in the property space while ensuring business continuity and good shareholder returns.

Effective succession management addresses the need for recruitment, development and ongoing support for all identified incumbents. It ensures that the identified successors have adequate time to prepare for senior roles, and that training and development support is linked to clearly defined leadership standards and competencies.

Growthpoint's succession plan is linked to the company's vision, objectives and strategy to ensure positive and coordinated flows of leadership involving numerous people over a long-term period.

Our **people** continued

Employee value proposition (EVP)

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

- Retirement benefits
- Medical aid
- Gap cover, to ensure employees are not out of pocket should their medical costs not be fully covered by their medical aid
- Group risk cover
- Accidental death cover
- Personal development opportunities
- Educational assistance for qualifying employees' children
- Work/life balance, which is crucial and supported by our flexible work hours and conditions of work
- Employee wellness.

Labour and employment practices

We have policies and processes in place to ensure that we offer equal or more favourable employment conditions than required of us. Growthpoint is not a unionised environment but places no restrictions on employees' freedom of association.

Policies and procedures

This year we started a journey of discovery, aligned with the restructure, which will form the base of our new policies. We are creating policies to ensure a standard approach for our employees regarding:

- transformation management
- succession management
- rewards and recognition
- job grading
- the inability to work because of disability or illness.

Employee engagement

We engage our employees on different issues, with information flowing from RSA Exco to Manco and departmental meetings. The HR team members attend departmental meetings to disseminate information and answer questions.

Our staff engagement is not formally managed, but we will soon implement staff surveys. We have been recognised for our employee engagement with an African Employee Engagement Award, specifically in relation to Growthpoint Gives (G-squared), a charitable project driven by staff volunteerism and run as part of Growthpoint's corporate social responsibility.

Training and leadership development

Learning and development allow our employees to thrive. In FY18 our development approach comprised:

- training and development programmes
- bursaries
- on-the-job learning
- management development
- coaching and mentoring – specifically focused on leadership skills
- change management.

Health and safety

We have a Risk and Compliance Officer who ensures that we prioritise health and safety. Our health and safety representatives are given additional training annually to increase their skills.

HIV/Aids focus

Growthpoint does not discriminate based on HIV/Aids status, nor do we test employees. We respect the confidentiality of every employee and the conditions of affected and infected employees are managed and supported through our extensive employee wellness programme. As per information provided by our largest medical aid, the HIV prevalence rate within our organisation is between 3% and 6%.

Human rights

Growthpoint is committed to upholding human rights, including freedom from discrimination of any kind. In line with the country's Constitution, we do not support 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. We do not prohibit employees from freedom of association. We stand against child labour and forced labour and all our employees are aged 18 years or above.

Grievance procedure

Employees with grievances can raise their concerns directly with HR who will advise them how to best address the matter.

Labour and human rights issues can be addressed through our whistle-blowing hotline, and we encourage employees to raise concerns about workplace malpractices without fear of victimisation of reprisal.

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

Industrial relations

Good industrial relations improve the morale of employees. Employees work with passion when they feel that the interests of employer and employees are aligned and this increases productivity. In the past year, we have strengthened our focus on industrial relations and performance management which has resulted in an increase in the number of cases we dealt with. In FY18 the company had a total of 40 industrial relations matters relating to misconduct and performance management.

Employee Assistance Programme (EAP)

This voluntary, confidential programme helps all our employees and management work through various life challenges that may adversely affect their job performance, health and personal wellbeing. This helps our employees and optimises our success, and we are proud to offer it.

The services offered to employees with personal and/or work-related concerns through our EAP include assessments, counselling, and referrals for added services. Their concerns could include a wide range of issues such as stress, financial issues, legal issues, family problems, office conflicts, or alcohol and substance abuse problems.

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

Growthpoint GEMS

GEMS provides financial support to the children of our lower income earning staff to open the doors to quality education. This year the programme moved beyond academic and leadership support to also address common socioeconomic issues. As part of its new psychosocial support element, it considers emotional intelligence and wellbeing, and gives learners access to Growthpoint's EAP.

Growthpoint invested R0.9m in the GEMS programme and supported 52 students nationally since its start in 2016. More detail is available in the corporate social responsibility report on page 82.

Staff volunteerism

G-Squared is how Growthpoint supports its staff who wish to make a positive change in their communities. Every staff member is allocated eight hours a year to take part in volunteer initiatives. More detail is available in the corporate social responsibility report on page 84.

Future focus

Our HR journey is undertaken in tandem with Growthpoint's business journey and its strategies. For FY19 this again includes our focus on:

Creating a world-class HR service and work environment

Engaging with people – our greatest assets – and how they experience our HR is very important to us. We aim to create a world-class HR department and work environment. This aligns with international best practice and the company's strategies for its regional, domestic and global business operations. We will achieve this with functional HR leadership and advice, HR policy frameworks and quality HR services that enable Growthpoint's people to deliver shareholder value. We listen to our people and welcome feedback and ideas.

Integrated talent management

We have made progress on our integrated talent management plan but it has not been finalised as we had to respond to the restructuring of the business. We will continue to focus on aligning this plan with our employment equity and succession planning.

Transformation

We will focus on delivering our objectives for the 2019 calendar year which include numerical goals and removing barriers to transformation.

Strategic learning and leadership

This is ongoing and we will continue to develop the knowledge and requisite skills for our industry to enable Growthpoint employees to meet the organisation's main objective of delivering shareholder value.

Job design

Integrated job design enables us to make informed decisions about reward, recruitment, staff development and promotion. We will implement job grades and salary scales.

Our **people** continued

Staff profile

Employee statistics

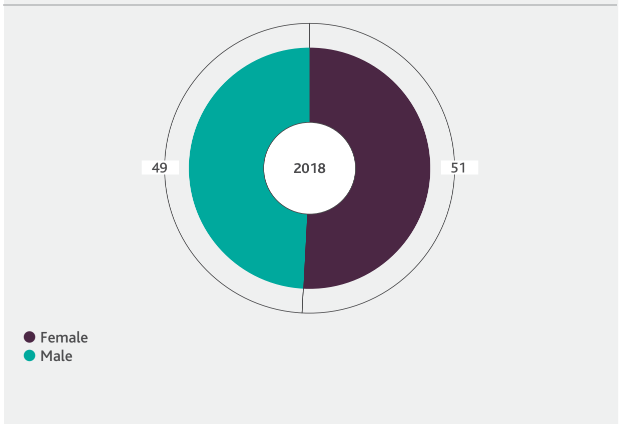
	FY18	FY17
Number of employees	**638**	630
– full-time employees	**610**	602
– contractors	**28**	28
Net property income per employee (R)	**10 550 820**	9 806 349
Average tenure of employees (years)	**8.79**	7
Annualised attrition rate (%)	**7**	11.2
Average age of employees (years)	**44**	44
Minimum CTC – lowest level of employee (R per annum)	**104 025**	96 600
Direct investment in employee training (Rm)*	**3.9**	5.8
Total cost of employee training (Rm)	**7.7**	8.6
Number of employees trained	**253**	606
Hours of training per employee	**3**	6
Total number of sick days	**2 201**	2 011
Weighted average number of sick days per employee	**2.19**	3.9
Number of physical injuries	**2**	7
Days lost to incidents**	**–**	27
Serious occupational injuries	**nil**	nil
Fatalities		
– full-time employees	**nil**	nil
– contractors	**nil**	1

** The decrease in direct investment into employee training was as a result of having no Group training as was the case in FY17.*
*** There were two incidents, but neither resulted in medical treatment or a lost day, which is testament to our strengthened health and safety efforts.*

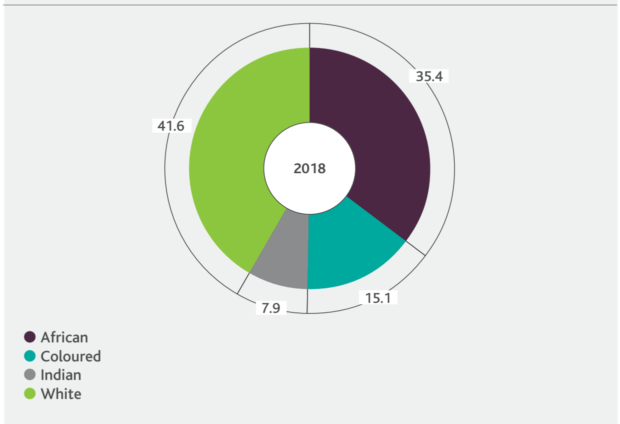
Employment equity summary

	Female				Female total	Male				Foreign national	Male total	Grand total
	African	Coloured	Indian	White		African	Coloured	Indian	White			
Top management	1	–	–	3	4	–	1	–	14	1	16	20
Senior management	3	–	2	10	15	2	1	1	25	1	30	45
Professionally qualified	14	16	10	73	113	19	13	11	69	3	115	228
Skilled technical	23	24	15	34	96	8	1	2	8	–	19	115
Semi-skilled	39	22	5	15	81	97	14	2	3	4	120	201
Unskilled	1	–	–	–	1	–	–	–	–	–	–	1
Grand total	81	62	32	135	310	126	30	16	119	9	300	610

Employees by gender (%)



Employee race profile (%)



Corporate social **responsibility report**

Education, skills development and job creation are the key ways we empower communities.

Shawn Theunissen
Head of Corporate Social Responsibility

Growthpoint invested R35.9m (FY17: R23.6m) in our social investment projects this year and continued to make strides in delivering social value.

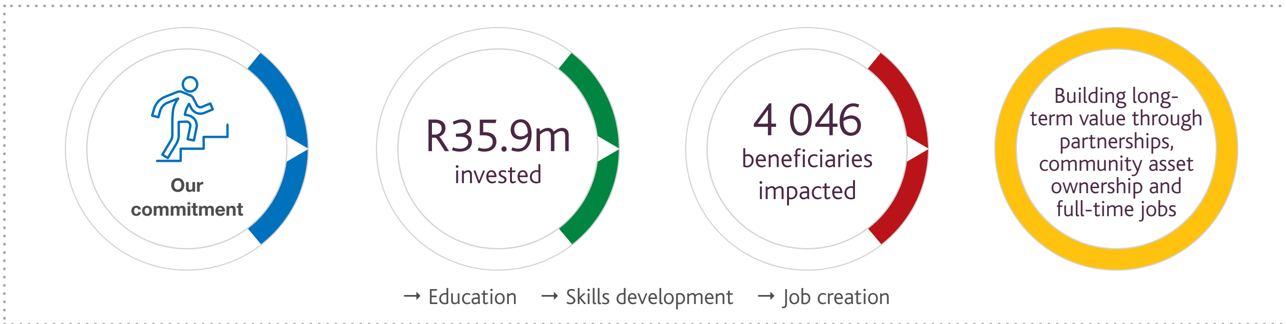
We deliver value to local communities through strategic, high-impact partnerships with the potential to optimise our carefully focused investments.

Corporate social **responsibility report** continued

Our approach

Our CSI programmes are aimed at creating a more inclusive society. We implement projects in partnership with stakeholders who have a wealth of experience in addressing societal issues in South Africa.

Education, skills development and job creation are the key ways we empower communities. We use our existing resources and work with historically disadvantaged communities to encourage more social inclusiveness.



Expanding the areas and overall impact

In FY18, we provided 4 046 beneficiaries with skills, jobs and economic opportunities.

After a review of the projects we support, it became clear that our focus has been mostly urban, and we identified the opportunity to extend our outreach to some less urbanised areas. Property Point expanded into Rustenburg, Growsmart was introduced to 60 schools in the Eastern Cape and we funded Protec's learner excellence programme in Limpopo. We will find ways to spread our impact into the country's smaller towns and villages.

We scaled down the number of projects to focus on providing better quality initiatives while increasing our reach to more outlying areas. This focus helped us to create more value in our chosen communities.

Growthpoint is mindful of the continuous challenges of youth unemployment and poor quality education, so we continued to focus our investments on education projects while expanding our investments in skills development programmes. We strengthened our partnership with Thandulwazi Trust and invested in Protec's first branch in the Limpopo region. We also developed a partnership with Sparrow FET College to promote skills development for intellectually challenged individuals.

We are extremely pleased to mark a decade of positive impacts through enterprise and supplier development with Property Point, which was founded by Growthpoint in 2008.

Projects we support

Growthpoint GEMS

With family values at our core, Growthpoint believes that "charity begins at home". Growthpoint GEMS aims to provide financial support to the children of our lower income earning staff to enable them to pursue a quality education. The programme is now in its second year and we have gained valuable insights into the socioeconomic issues that are facing multiple homes in South Africa. Many children receive inadequate support in their current schools and battle with learning gaps in fundamental subjects and to respond to this situation in a holistic manner, we have extended the programme to include psychosocial, academic, leadership and parent support.

Psychosocial support

An emotional intelligence assessment reveals the learner's current state of emotional wellbeing. Learners are provided with the option to access Growthpoint's employee assistance programme facilities.

Academic support

Learners undergo academic assessments to provide a clearer picture of each child's academic strengths and weaknesses so that parents can be offered guidance on how to support their child's individual academic journey.

Leadership support

Biannual leadership camps encourage children to explore their leadership potential and map out their academic journeys. The leadership component is extended to tertiary students, who are assigned a mentor for monthly insights on how to successfully achieve their academic goals.

Parent support

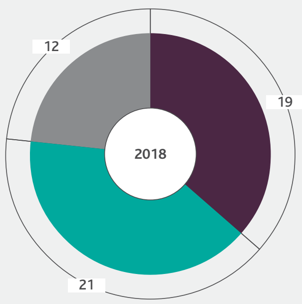
Workshops give parents the tools to help their children on their academic journey. Parents can set up appointments with the GEMS team for guidance.

Growthpoint has invested R4.9m in the GEMS programme to date and has supported 54 leaners nationally since its inception in 2017.

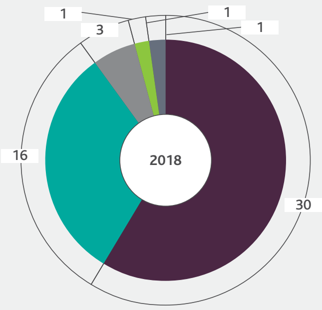
Our engagement with the GEMS families has proved valuable on other and unexpected levels. For example, we have been able to demystify perceptions around wellness support, which benefits both our staff and our business productivity.

GEMS FY18: 52 students

By education level



By region



Creating impact at all levels of the education value chain

Growsmart

Our flagship programme, Growsmart, has been a value-add for improving both the language and mathematics literacy of primary school students in the Western Cape for the past nine years. The programme started as a spelling competition to boost literacy and since then has expanded to include story writing, mathematics and science. This year, debating was introduced to give children the opportunity to use their growing vocabulary and eloquence to put forward logical arguments. This helps to boost confidence, critical thinking and public speaking skills, which are essential in today's world.

The programme expanded into the Eastern Cape this year, with 360 students entering the literacy and story writing competitions. It is being offered in 60 schools in the province – 30 in East London, 20 in Port Elizabeth and ten in Uitenhage.

CASE STUDY

"Thank you for giving me and so many other learners the privilege to reveal our talent."

Lauren Daniels was first exposed to Growsmart as a 12-year-old Delft Primary School pupil during the initiative's second year. Inspired by the challenge of its spelling competition, Lauren went on to earn a place at Christel House South Africa. She matriculated in 2017 with distinctions for six of the eight subjects she wrote, and was one of the top ten economics students in the Western Cape. Growthpoint Properties has awarded her a bursary for her tertiary studies. We are proud to have been part of writing this cradle-to-success story with Lauren.

Early childhood development (ECD)

Growthpoint partners with various organisations that provide safe environments for children to access education and nutrition as well as to ensure that ECD practitioners are upskilled to give quality education to their learners. Since 2014, we have partnered with nine organisations across Gauteng, the Eastern Cape and KwaZulu-Natal. By working with these organisations, we help ensure that children are provided with a proper foundation for their education. We are incredibly proud of these effective partnerships that empower practitioners and children alike, and foster a more equipped generation for our country.

Over the past eight years, Growthpoint has invested R8.7m in the ECD space and has impacted more than 18 000 beneficiaries.

Some R6.7m has been invested in rental subsidies, enabling partner organisations to further strengthen their offerings, while R2m has been invested in ECD practitioner programmes.

CASE STUDY

ECD partners

- ASHA Trust
- Cotlands
- Education Africa
- Loaves and Fishes
- PEN
- Ray Mhlaba Skills Centre
- Rise Against Hunger
- Scatterlings
- Thandulwazi Trust

Corporate social **responsibility report** continued

Protec

Growthpoint funded Protec's first learner excellence programme in Limpopo. The programme aims to empower learners to pursue science, technology, engineering and mathematics (STEM) careers. It includes mathematics, physical science, English and "world of work" tuition for students from Grade 10 to Grade 12.

Christel House South Africa bursaries

In FY18, Growthpoint awarded 30 Grade 10 learners bursaries to study at Christel House. The total value of these bursaries was R894 000.

Growthpoint bursary programme

Our bursary programme is designed to develop professionals within the property sector. In FY18 we supported nine students directly and one via the SAPOA bursary programme. When bursary students graduate they are eligible for Growthpoint's graduate training programme.

Staff volunteerism

Growthpoint Gives (G-Squared) is an example of Growthpoint's support for staff wishing to make a positive difference. Staff are allocated eight hours to take part in volunteer initiatives throughout the year. So far, 126 staff have volunteered their time and have spent a total of 490 hours working with communities, with financial support from Growthpoint of R450 000.

This year, Growthpoint won the inaugural African employee engagement company of the year award in recognition of our people's commitment to engaging with the wider community.

Enterprise and supplier development

Our enterprise and supplier development programme, Property Point, reached a milestone this year as it has now been in operation for ten years. It is focused on developing sustainable small businesses (SMEs) by enabling access to market opportunities. Over the past decade, Property Point has changed the small business landscape in South Africa's property sector and established an excellent track record. It was founded by Growthpoint Properties in 2008 and has since created more than 2 400 jobs and generated more than R1bn worth of procurement opportunities for the 160-plus SMEs that have participated in its two-year enterprise and supplier development courses. Growthpoint itself has awarded 134 contracts to these businesses.

This year, Property Point beneficiary businesses generated R382.7m in procurement opportunities and created 663 jobs. Some 23 of the programme's SMEs have active contracts with Growthpoint.

Property Point has established a decade-long track record of meaningful impact on growing sustainable small businesses.

Financial

R1.14bn
business transactions

44%
revenue growth

Human

2 405
full-time jobs created

168
beneficiary SMEs

Social

3 700
entrepreneurs attending workshops and seminars

Programme impact analysis

	FY09	FY10	FY11	FY12	
Number of beneficiary companies awarded contracts by Growthpoint	8	8	10	8	
Total value of contracts awarded to Property Point beneficiary companies (Growthpoint and eternal supply chains)	R11 723 913	R16 700 949	R34 369 465	R29 525 944	
Total number of full-time equivalent jobs created by beneficiary companies	205	248	141	126	

Property Point timeline

2018
- 2 400 jobs created
- Programme beneficiaries reach R1bn worth of contracts accessed
- Expands to Rustenburg with its local economic development strategy

2017
- Collaboration with Department of Small Business Development for an intake of 16 businesses
- Programme beneficiaries reach R750m worth of contracts accessed

2016
- 100 SMEs developed
- 1 500 jobs created
- Programme beneficiaries reach R500m worth of contracts accessed

2015
- First intake for Attacq enterprise development programme
- *Mail & Guardian* award for job creation
- 1 000 jobs created
- Programme beneficiaries reach R250m worth of contracts accessed

2014
- Inaugural collaboration with Attacq

2012
- KwaZulu-Natal expansion
- Cape Town expansion
- Launch of Enterprise To The Point

2011
- 500 jobs created

2008
- Property Point founded

	FY13	FY14	FY15	FY16	FY17	FY18	CUMULATIVE
	12	12	14	18	21	**23**	**134**
	R43 662 145	R52 079 185	R121 412 477	R238 001 395	R212 259 284	**R382 735 603**	**R1 142 470 360**
	71	113	237	256	345	**663**	**2 405**

Corporate social **responsibility report** continued

PILLAR	TARGETED LEVEL/AREA OF IMPACT	OUR INVESTMENT FOCUS	OUTPUTS	OUTCOMES
Education	Early childhood development Beneficiary example: Thandulwazi, Gauteng	R3m Teacher training and infrastructure	60 qualified and competent teachers	Qualified and competent teachers trained for underresourced communities
	Primary school Beneficiary example: Growsmart, Eastern Cape and Western Cape	R5.8m Literacy and numeracy performance	2 123 beneficiaries from various programmes	Wider reach of literacy and numeracy programmes
	Secondary school Beneficiary example: Protec, Limpopo Growthpoint GEMS	R1.9m Mathematics and science performance and career exposure	91 beneficiaries reached	Ensure that supported students produce quality matric results
Skills development	Youth development Beneficiary example: The Living Link, Gauteng	R0.9m Formal qualification and economic activity rate	28 beneficiaries reached	55% of the beneficiaries are intellectually challenged and are provided with the opportunity to gain skills
	Employability Beneficiary example: Growthpoint and SAPOA bursaries	R1.6m Professional skills development	21 university students pursuing qualifications	Two graduates in full-time employment
Staff engagement	Staff volunteerism through our G-Squared initiative	R0.4m	Engaged staff volunteering in their communities	419 staff members volunteered for various initiatives
Enterprise and supplier development	SME development Beneficiary example: Property Point, SME development Gauteng, Western Cape, KwaZulu-Natal and North West	R20.1m	75 SME beneficiaries	47% average revenue growth and R382.7m worth of market linkages realised
	Job creation			663 jobs

G2 Cape Town

Protec launch Limpopo

Growthpoint GEMS

G2 Johannesburg

Broad-based black economic empowerment and transformation

Growthpoint has been an industry leader in driving the elements of transformation. This year we published our transformation strategy, which has provided us with an opportunity to analyse our strengths and to reinforce our gains as we move forward. Transformation is certainly not a box-ticking exercise for Growthpoint. Our business continues to make our transformation strategy an integral part of our operations. Guided by the Broad-Based Black Economic Empowerment Property Sector Charter codes amended in 2017, we have committed to three-year targets by 2020. We attained an audited level 3 rating in FY18 and aim to constantly improve on this level.

Management control

Our transformation strategy target for June 2019 was to secure two black female Board appointments. Zuki Siyotula was appointed as a non-executive director in January 2018 and our Head of Human Resources, Olive Chauke, was appointed an executive director in June 2018.

Employment equity

Our succession planning strategy is aligned to our skills development plan and employment equity plan enabling 2020 targets that are in line with diversifying all levels of management.

Skills development learnerships

In FY18 we began a partnership with Sparrow FET College worth R1.5m to promote skills development for people with disabilities.

Preferential procurement

We are striving to increase our procurement from black women-owned suppliers specifically and businesses that are at least 51% black-owned. Our new procurement system is designed for better management of B-BBEE-compliant suppliers, thereby increasing our performance against our preferential procurement targets.

Additional information on CSR can be found in the FY18 ESG report on our website.

Corporate social **responsibility report** continued

Enterprise and supplier development

Property Point continues to successfully develop small businesses that are at least 51% black-owned for the benefit of supply chain inclusion.

OBJECTIVES	TARGET SET	TIMELINE	FY18 ACTUAL
OWNERSHIP			
B-BBEE ownership	• B-BBEE deal with 10% of Growthpoint shares	June 2018	Growthpoint is exploring opportunities to set up a broad-based structure which can include a staff scheme, current CSI initiatives and strategic partners
Structure net equity value	• Realise a minimum of 40% of the annual targets	June 2020	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	11% will disposals to >50% black-owned entities

OBJECTIVES	TARGET SET	TIMELINE	FY18 ACTUAL
MANAGEMENT CONTROL			
Diversify the Growthpoint Properties Board	• 40% black board members • At least 25% black female appointees	June 2019	43% black board members 21% black female board appointees
Diversify executive directors	• 25% black executive directors	June 2020	25% black executive directors
Diversify executive management	• 27% black executive management with at least 50% being black female	June 2020	20% black executive management 10% being black female executive management

OBJECTIVES	TARGET SET	TIMELINE	FY18 ACTUAL
EMPLOYMENT EQUITY			
Diversify senior management	• Increase black senior management from 15% to 28%	June 2020	Increased to 32%
Diversify middle management	• Increase black middle management from 32% to 45%	June 2020	Increased to 67%
Diversify junior management	• Increase black junior management from 69% to 77%	June 2020	Increased to 86%

OBJECTIVES	TARGET SET	TIMELINE	FY18 ACTUAL
SKILLS DEVELOPMENT			
Alignment of skills programmes with business needs	• 80% of training offerings within category B, C, D of the skills matrix	June 2018	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 EAP stats) • 40% minimum to be achieved	June 2018	
Implement a disability learnership programme	• 0.3% of leviable amount is spent on disabled people • A minimum of 40% must be achieved	June 2018	Disability learnership implemented with Sparrow FET College

OBJECTIVES	TARGET SET	TIMELINE	FY18 ACTUAL
PREFERENTIAL PROCUREMENT			
Segmentation of procurement spend	• 40% procurement spent with companies who are at least 51% black-owned	Ongoing	Achieved 25%
	• 100% of all suppliers must be B-BBEE rated with 80% of suppliers on a minimum of a level 4	Ongoing	Achieved 96%
	• 12% procurement spend on companies who are at least 30% black women-owned	Ongoing	Achieved 9.7%
Continued support and funding of Property Point	• 1% NPAT towards enterprise development	Ongoing	Contributed 1.8% NPAT towards enterprise development
	• 2% NPAT towards supplier development	Ongoing	Contributed 3.3% of NPAT towards supplier development

OBJECTIVES	TARGET SET	TIMELINE	FY18 ACTUAL
SOCIOECONOMIC DEVELOPMENT			
Annual value of all SED contributions of Growthpoint	• 1% NPAT towards beneficiaries that are black	Ongoing	Contributed 3.3% of NPAT towards SED

Environmental **approach**

We engage with stakeholder groups such as employees, tenants and suppliers in an effort to improve the proposed solutions for environmental challenges within our business.

Environmental approach

Responsible environmental conduct is important to Growthpoint and we go beyond our legal and regulatory requirements. The Board, management and staff of Growthpoint work towards reducing the company's environmental impact and on constantly improving our environmental performance as an integral part of our business strategy.

Keeping abreast of environmental developments is essential to Growthpoint. We continuously monitor and evaluate our environmental approach and activities, taking into consideration the internal and external risks and changes to our business. Our environmental policy focuses on several key areas, namely climate change, carbon emissions, biodiversity and the nexus consisting of energy, water and waste. Reducing our consumption of these and other resources remains a priority as we acknowledge this is fundamental to ensuring the longevity of natural resources. We do this through effective environmental management programmes, stakeholder engagement and education.

We engage with stakeholder groups such as employees, tenants and suppliers in an effort to improve the proposed solutions for environmental challenges within our business. This is a multi-faceted approach which continues to evolve as various environmental issues become priorities in the context of our organisation. The problems that we solve are replicated across the business sectors through tailored projects, and the outcomes of these projects are measured, evaluated and reported on.

We work towards implementing various national and international best practices to the extent that they are applicable to our business. Growthpoint engages on various platforms, both locally and internationally, with regard to our environmental approach and initiatives. As the largest SA REIT, we are representatives of the property sector and promote responsible business. Our leadership has been recognised by industry associations like the South African Property Owners Association (SAPOA), who have acknowledged our impact through various industry awards.

As we become more involved in the development of property, we have refined and improved our development matrix, which provides a list of indicators to be considered when undertaking a development. This ensures compliance with national building regulations that address a variety of environmental and social considerations. We engage partners to ensure that we implement all requirements stipulated by the legislation. These efforts are increasingly made in line with the Green Building Certification process requirements as stipulated by the Green Building Council of South Africa (GBCSA). The aim is to make the buildings functionally and financially more resilient while making a positive impact on climate change.

At Growthpoint there is constant awareness and a high level of proactivity in terms of environmental concerns. We continuously try to improve our business operations and our offering to our tenants in relation to the natural environment and our use of natural resources.

Our sustainability programme ensures that environmental considerations are incorporated into operational practices and there has been much effort applied to conduct better business. As a prominent owner and manager of properties in South Africa, we are pioneers in our efforts to provide leadership for greener property developments. This approach is in line with our client needs and ensures the long-term sustainability of our business. This is in line with our mission, values and strategy.

We were awarded for our efforts in this regard by being the first corporate in RSA to issue a green bond on the JSE to the value of R1.1bn.

Focus areas in each sector

Each sector in our South Africa business (retail, industrial and office) has a different degree of focus on environmental sustainability.

OFFICE	RETAIL	INDUSTRIAL
ISO 50001	Smart meters	Symbiosis programme
Solar	Solar	Solar
GBCSA Green Star SA certification	Utility optimisation	Power factory corrections
Water reduction	Smart data collection and representation	Renewable energy mix
Energy reduction	Energy reduction	Energy reduction
Waste management and reduction	Waste management and reduction	Waste management and reduction
Green addendum	Green addendum	
Smart utility meter installations	Smart utility meter installations	Smart utility meter installations
GreenX 5.0 campaign	Electric vehicle charging stations	
Greenovate awards	Greenovate awards	Greenovate awards

By applying our sustainable strategic framework, we can identify suitable interventions. These projects flow into a governance framework and our six-step sustainable change process. This framework ensures that suitable solutions which are ready to be rolled out and have a strong business case aligned to the quality standards of GBCSA (where applicable), are implemented in Growthpoint's portfolio. This allows for the performance of each intervention to be tracked after it has been implemented.

Priorities and targets

Environmental priorities for Growthpoint have become clearer in the context of South Africa's environmental challenges. Energy and water conservation have an effect on every business and should be a priority for all. Better waste management practices and initiatives to reduce carbon emissions are increasing, particularly considering the pending carbon tax as well as efforts to keep climate change below 2°C. We strive to reduce waste at source and so preserve biodiversity in the areas we operate in.

We have given the issue of targets much consideration over the past couple of years. This has been a challenge, but we are pleased to announce we have now submitted our science-based targets for carbon emissions to the science-based targets initiative for review. Increasing the number of our buildings with GBCSA Green Star ratings and investing in solar power remains a priority for us. We are pleased to have been the first corporate with more than 100 Green Star certifications. We have 86 buildings with a GLA of 967 668m^2 that have been certified.

Efforts continue to elevate our data integrity and to improve the monitoring and collection of data. Employees, tenants, supply chain and other stakeholders have shown an ever-increasing awareness and consideration of environmental impact and we engage in a variety of partnerships that are committed to exploring initiatives of benefit to our business and community.

Energy

Growthpoint constantly works to reduce its energy footprint. This is done through the implementation of more efficient equipment, smarter controls and best practices. We also use tools that have a positive impact on behaviour such as the green addendum, which allows us to engage and implement energy-efficiency initiatives in our tenanted spaces for a net reduction on our clients' utility spend.

Energy used	2018	2017	2016	2015
GLA assessed (m^2)	**4 592 583**	4 771 572	4 844 719	4 180 333
Number of buildings	**373**	386	390	363
Energy from fuels (MWh)	**129**	129	207	515
Purchased electricity for Growthpoint occupied space (MWh)	**2 903**	1 951	2 037	2 119
Purchased electricity for tenant occupied space (MWh)	**684 211**	791 213	822 362	627 262
Total energy (MWh)	**687 243**	793 293	824 606	629 896

Environmental **approach** continued

We want all our office buildings to use less than our internally set benchmark of 200kWh/m²/pa by 2020. This target was based on best practice at the time it was set. All new office developments should achieve a minimum 4-Star Green Star SA rating. As part of our commitment to reduce carbon emissions, Growthpoint made a commitment in line with COP 21 to have all its long-hold commercial buildings maintain a minimum of a 4-Star or better Green Star SA rating by 2020.

Our investments in renewable energy are evidence of our commitment to optimising our operations and reducing our carbon footprint. We continuously seek to enhance the energy mix for our buildings, and renewable energy is key to this. We have invested R167m in solar energy installations and produce just under 11.9GWh annually. More solar installations were approved during the year and will be completed in FY19. They will produce a further 16GWh per annum.

	FY18	FY17	FY16
Energy produced by solar (MWh)	**11 944**	7 037	2 559
Emissions saved (tCO_2e)	**11 346**	7 037	2 559
Annual saving (R)	**13 806 735***	8 029 105	1 928 607

** Growthpoints interest accounts for 81.7%.*

Water

The water crisis in the Western Cape has highlighted the need for water reduction efforts to be a priority for business. The threat of "Day Zero" (the possibility of zero water in the region) helped bring attention to the water challenge in the region. As water is the most basic natural resource and because South Africa is classified as a semi-arid country, taking steps to ensure community and business continuity of supply is important.

A target had previously been set for our office buildings to use 0.88kℓ/m²/pa by 2020. We are glad to report that our office buildings are performing below this at 0.83kℓ/m² (average). We are now looking at our retail and industrial sectors and proposing targets for these sectors. The risk review conducted in FY17 has given us a better overall picture of our impact.

Currently, the water used in Growthpoint's buildings comes primarily from the municipal supply. We have increased the number of applications for licences for boreholes in the past year.

We benchmark our office buildings with an energy and water performance tool (EWP) developed by GBCSA and co-sponsored by Growthpoint and Eskom, using a system developed by one of our utility management companies. Our immediate focus included extensive property audits, fixing leaks and installing water meters and in FY18:

- R2.16m was spent on installing water meters
- We invested R36m in water initiatives with an additional R18m planned investment in:
  - > further Smart metering installations
  - > water filtration plants
  - > backup water tanks
  - > tanker filler points to distribute water to our sites
  - > digitising data collection and analysis.

A challenge we experience with managing water consumption is a lack of access to reliable data through Smart metering. Not all buildings have bulk Smart check meters, limiting our ability to benchmark performance. Leaks are notoriously difficult to resolve, so we focused on early leak detection and streamlining of communication to have leaks resolved. Controlling the times and duration of irrigation for landscaping has proven to be a challenge.

Waste

We have set a waste target of zero waste to landfill by 2022 for our entire portfolio. Our waste strategy focuses on extracting resources from waste to generate energy and other valuable by-products such as fertiliser. We are working to ensure that our recycling bottomline shows a continuous improvement in the diversion from landfill of the organic waste generated through business operations. We aim to increase the reuse of waste material and reduce general waste in our Growthpoint portfolio. Our plan is to divert 100% of our organic waste and ensure that all dry waste is separated and recycled at source.

In FY18 a total of 16 811 tonnes of waste was recorded for 171 of our buildings (ie 41.7% of our buildings with a GLA of 2 270 538m²), of which 35% currently goes to landfill. We piloted the G-Eco project which converts organic waste to compost. In the past year we have sourced waste service providers for all Growthpoint properties and concluded service level agreements for the sorting of waste and recycling.

We are taking action in response to the upcoming provincial legislation in the Western Cape requiring a business to divert 50% of its organic waste to landfill by 2022. Plans are in place to ensure that we surpass this target.

An ongoing challenge is data collection and management from our various sites. We are currently undertaking a project to review all waste service providers. This will be done during FY19 as we look to consolidate and standardise waste collection data mechanisms. This will in turn inform the implementation of our strategy.

Carbon emissions

Carbon emission reduction is at the centre of our sustainability strategy. We undertake a carbon footprint assessment annually for buildings that we own and manage. This is externally verified by a third party, in accordance with the international standard ISO 14064-3 (2006) specification with guidance for the validation and verification of greenhouse gas assertions. For all buildings reviewed, electricity was purchased from Eskom or local municipalities, or solar power was provided from one of our solar plants.

As a responsible corporate we are continuously looking at ways to reduce our carbon footprint in line with national and international carbon reduction objectives. We revised our carbon reduction targets in 2015 to achieve a 5% reduction in our intensity per square metre of 0.16tCO_2e over the next five years. This relates to our Scope 1 and 2 emissions. In FY17, we committed to setting science-based targets (SBTs). We have submitted our methodology for consideration by the Science Based Target Institute based on our 2017 carbon emissions.

Growthpoint falls in the "Other" category for carbon tax, which has a limited tax implication for the business. The impact on our tenants could, however, be significant as they are directly responsible for their own emissions from their energy use. To help mitigate against this exposure we are introducing more energy-efficient systems across our portfolios. We have invested in renewable solar power at some properties that primarily benefits tenants, while the green addendum to our leases helps to change tenant behaviour for our mutual benefit.

Carbon emissions

	FY18**	FY17*	FY16*	FY15*
Total Scope 1 and 2 (tCO_2e)	**2 936**	1 947	2 130	2 209
Scope 1 and 2 GLA (m^2)	**14 868**	13 823	13 328	12 378
Intensity GLA (tCO_2e/m^2)	**0.20**	0.14	0.16	0.13
Intensity revenue (tCO_2e/Rm)	**0.35**	0.24	0.27	0.26
Intensity per full-time employee (FTE)	**4.81**	3.09	3.24	2.73
GLA under review m^2	**4 592 583**	4 771 572	4 844 719	4 180 333
Number of buildings reviewed	**373**	386	390	363
Total Scope 1, 2 and 3 (tCO_2e)	**691 761**	785 532	834 496	644 351

** Independently verified.*
*** Awaiting finalisation of verification.*

Biodiversity

Growthpoint operates primarily in urban areas, limiting our impact on biodiversity. The main area of our business that could influence biodiversity is property development. For all developments we undertake, there is rigorous engagement with local councils, and we adhere to all necessary legislative and regulatory requirements. Environmental impact assessments consider biodiversity when a project is reviewed, and Growthpoint undertakes to ensure that all environmental legislation is adhered to in line with national building regulations. We engage extensively with local authorities to ensure that all social concerns are addressed.

We have developed a xeriscaping guideline which entails the installing/planting of naturally occurring plants within our gardens. This ensures that we limit the need for artificial watering as the selected plants use naturally occurring water for sustenance.

External and internal stakeholder groups' engagement

Growthpoint has a longstanding history of engaging in strategic partnerships for mutual benefit. We are a member of the South African Property Owners' Association (SAPOA), where we play a key role on forums such as the sustainability committee. This committee has focused on areas ranging from tariff increases to services provision laws as well as the new legislation regarding solar photovoltaic (PV) installations.

We participate in initiatives led by the Department of Energy, especially providing input in the Energy Performance Certification Programme and establishing energy reduction targets in the commercial property industry. As a member of the SA REIT Association, we engage with our peers in the REIT sector in campaigning for issues relevant to the industry. Growthpoint is a founding member of the GBCSA and we continue to work with it on sustainability initiatives.

We have ongoing engagement with local municipalities that represent numerous stakeholders and community interests. As a member of the National Business Initiative (NBI), Growthpoint believes in the objective of working towards sustainable growth and development in South Africa and the shaping of a sustainable future through responsible business action. The NBI's strategy is addressing issues of economic transition and social transformation through thought leadership, capacity building and collective action programmes and projects. Growthpoint participates in many initiatives run by the NBI, including the CEO initiative for which the NBI is the secretariat.

Environmental **approach** continued

We are working to enhance our engagement with our supply chain on sustainability concerns, initially focusing on ensuring B-BBEE compliance, health and safety as well as fair labour practices.

One of the primary areas of engagement is directly with our tenants. We regularly look at suggestions from tenants to facilitate improvements to our offering and reductions in their utility exposure.

Our engagement with government departments takes place on a variety of levels and on numerous issues. We engaged with the City of Cape Town to draft new regulation that allows us to sell drinkable water to our tenants as a "water services intermediary". We approached the city to consider adopting this legislation to allow us to filter and supply water in bulk to clients in our buildings. We worked with them to refine the process and it is now widely adopted.

Financial impact of environmental events

Growthpoint tracks data and the cost of various incidents occurring as a result of changing weather conditions. The financial implications are primarily seen in our insurance claims made, but increasingly we are identifying preventative initiatives such as investing in solutions to deal with the Western Cape's drought-related concerns.

We remain cognisant of the possible risks and opportunities that present themselves in relation to climate change and related issues. These are relayed to the Risk Management Committee as and when deemed necessary.

Below is an account of the cost of weather-related damage to our properties. Those relating to FY18 could be restated if there is a case that has not been concluded at the time of reporting. Costs are allocated to the year in which the event took place.

Cost of environmental events

	Earthquake/ sinkhole	Rain/ flood	Hail	Wind	Lightning	Total
FY18	23 228	3 693 505	2 014 666	16 136 867	158 045	22 026 311
FY17		4 152 841	371 372	4 277	166 172	4 694 662
FY16		3 185 897	233 761	32 834 386	82 300	36 336 344
FY15	414 821	–	856 731	69 750	–	1 341 302
Total	438 049	11 032 243	3 476 530	49 045 280	406 517	64 398 619

In the past year, we invested more than R34m in the Western Cape to mitigate the impact of the drought caused by climate change.

Additional details of the environmental achievements and major projects for FY18 can be found in the FY18 ESG report.

Major projects and achievements for the year under review

- Reducing the Western Cape commercial portfolio's water consumption by more than 50%
- Achieving the first substantial "net-positive" water building in South Africa
- Concluding the G-Eco pilot and proving that it is financially viable to develop a medium-scale wet waste treatment facility
- Implementing a waste reporting portal
- Installing Smart water meters in 73 commercial buildings
- Reaching 100 Green Star certifications, becoming the first company in RSA to do so.

Major projects planned for FY19

- Continued energy and water use reduction through strategic interventions
- Implementing a portfolio-wide energy management system (ISO 50001)
- Installing Smart bulk check meters on buildings in all sectors that do not yet have them
- Recertifying our pilot and phase 1 existing building performance buildings
- Certifying the first industrial existing building performance project in RSA via the new existing building performance industrial rating tool which we are piloting in collaboration with industry partners
- Reducing common area energy consumption in some of our more energy-intensive buildings.

Additional information on our environmental approach can be found in the FY18 ESG report on our website.

Internal **audit**

By: **Steffen Nizetich**
Head of Internal Audit and Risk Management

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

The Board has assumed responsibility for internal audit by setting the direction for the internal audit arrangements and has 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 as such is subject to the codes of ethics of both professional bodies.

Authority

The internal audit function derives its authority from the Audit Committee to which it reports on a quarterly basis. This committee is guided by its Terms of Reference. The objectives, authority and responsibilities of the internal audit function are governed by a formal internal audit charter. The personnel of the internal audit function are authorised to review all areas of Growthpoint's operations and have complete and unrestricted access to all activities, records, property and personnel. Furthermore, 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 that indicates the extent and frequency of the work to be conducted and enables the committee to establish whether or not internal audit resources, as well as the allocation thereof, are appropriate to its requirements
- conducting reviews of the key business processes to ensure the:
  - > reliability and integrity of financial and operational information
  - > adherence to policies, plans, procedures, laws, regulations and contracts
  - > safeguarding of assets
  - > economical and efficient employment of resources
  - > achievement of established objectives and goals
- reporting the results of reviews, together with opinions and recommendations, to management of sufficient authority to ensure that 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
  - > the progress against the internal audit plan and reasons for any deviations
- coordinating audit efforts with those of the external auditor
- overseeing the performance and reporting of information technology-related internal audit reviews, which are outsourced to external parties who have the requisite technical proficiency and experience to conduct such reviews
- addressing the matters brought to the attention of the organisation through the Tip-offs Anonymous Helpline operated by Deloitte, and reporting the nature of the incidents and the resultant actions that may be required by executive management to the Audit Committee.

Internal audit processes

The scope of the internal audit activity and the assignments planned for the ensuing financial year are presented, discussed and approved at the last Audit Committee meeting of the financial year. The internal audit plan is based on an assessment of Growthpoint's key areas of operational risk in its current operations and the key risks as identified and assessed as part of the risk management process.

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

- unforeseen circumstances within the organisation
- any specific requirements of executive management
- any specific requirements of the Audit Committee.

Establishing and maintaining the systems of internal control necessary to provide the directors of Growthpoint with reasonable assurance that business objectives are attained rests with both executive and operational management. Internal Audit's role is to assist management in establishing whether or not the systems of internal control are both adequate and effective.

Adequacy is defined as whether or not the key controls address the related significant inherent risks. Effectiveness is defined as whether or not the key controls are operating as intended.

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


Globalworth Tower, Bucharest

GROUP INVESTMENT PERFORMANCE

IN THIS SECTION

Group CEO **overview**

We issued our inaugural US Dollar-denominated Eurobond with a five-year maturity.

Norbert Sasse
Group CEO

Our Group Investments include the investments in the V&A Waterfront (V&A), Growthpoint Australia (GOZ), Globalworth Real Estate Investments (GWI), Globalworth Poland Real Estate (GPRE) and our Funds Management business. I am pleased to report that they delivered good performances and made noteworthy strategic gains. Our investments in GWI and V&A were the top performers for the Group in FY18.

Growthpoint's new Funds Management business raised its first third-party funding with the inaugural capital results for both Growthpoint Investec African Properties (GIAP) and Growthpoint Healthcare Property Holdings.

The African venture took longer than originally expected as it proved more difficult to raise funds for investment into Africa due to regional economic weakness linked to the oil commodity crisis. The delays have, however, proven favourable because now is a better time to invest. We are assessing assets for investment and have an interesting pipeline of acquisitions in place.

The initial capital raise of Growthpoint Healthcare Property Holdings exceeded our expectations by attracting R285m. Building on its portfolio of five healthcare properties, we began our first greenfields hospital development for the Fund this year in a joint venture with Cintocare, using a deal structure that can be replicated with other emerging healthcare operators.

Our Funds Management business closed the year with R2.9bn of third-party commitments and assets of R2.5bn. It is well on track for its targeted R15bn of assets under management in the next four years, and we are continually exploring new investment products in different specialised property sectors to add to the Funds Management platform.

The V&A continued to perform well relative to our other investments, and we are pleased to invest in this unique asset with our partners.

Development of the Silo District was completed, introducing the Zeitz Museum of Contemporary Art Africa (MOCAA), Radisson Red Hotel and Waterway House to the precinct, which has been fully tenanted with blue-chip clients.

There is still strong demand for space, especially for offices, in the V&A precinct, and we continue to look for opportunities for more bulk. Our short to medium-term focus is on completing the Battery Park parkade and public park, developing The Junction around the Caltex petrol station and the cruise liner terminal, and preparing for the Granger Bay precinct master plan.

The GWI dividend declared was in line with our expectations. We invested EUR264m in GWI and GPRE in FY18 – EUR114m into GWI and EUR150m into GPRE, which expanded our investment into Eastern Europe.

Both businesses showed significant growth and we remain excited by opportunities in their markets, which show good economic growth prospects, investment dynamics and positive yield spreads. The Globalworth name continues to grow in prominence as a significant player in the CEE region, principally focused on Poland and Romania.

GWI and GPRE deployed EUR2.1bn into accretive transactions at good yields. In Romania the focus has been on developing the Globalworth Campus where both Tower 1 and Tower 2, with 29 000m^2 each, are now fully let and the focus has shifted to the 35 000m^2 Tower 3. The value of assets that Globalworth owns in Poland is now almost equal to that of its assets in Romania and, in time, the assets in Poland are likely to exceed those in Romania.

We issued our inaugural US Dollar-denominated Eurobond with a five-year maturity. We swapped the USD425m to EUR350m and used it to fund new investment and refinance some of our original investment in GWI and GPRE. The Eurobond issue served to diversify our offshore investors in sync with our internationalisation strategy.

We remain committed to supporting the future growth of both GWI and GPRE, and will seek to deploy more capital as opportunities arise.

GOZ continues to perform well, achieving all its targets and delivering on the guidance that it puts out to the market.

Total returns to 30 June

	6 months %	1 year %	3 years %	5 years %
GOZ	9.2	22.3	11.8	16.2
S&P/ASX A-REIT 300 Index	3.0	13.2	10.0	12.2
S&P/ASX 300 (share market)	4.3	13.2	9.1	10.0

Source: UBS

GOZ is rewarding its shareholders with steady, growing dividends and the market is rewarding the company for delivering on its strategy and performance promises.

The Australian property market is more competitive than ever. Record low capitalisation rates are being achieved in the office and industrial sectors – the two sectors to which GOZ is exposed. By selling into that strength, GOZ is taking the opportunity to recycle capital. Finding direct property investment opportunities at accretive yields remains challenging.

GOZ has taken a slightly counter-cyclical view by strategically investing about AUD150m into industrial property in Perth in Western Australia. This is partly because the Eastern seaboard, where its investment is concentrated, is exceptionally competitive with record low capitalisation rates and yields.

It also continues to explore merger and acquisition opportunities with more attractive yields on offer in the listed sector.

With its gearing now slightly below its target range and the GOZ share price near record high levels, it is well positioned to raise both debt and equity capital to fund acquisitions, but the challenge remains finding quality accretive growth opportunities.

While GOZ has performed well, its actual Rand contribution to distributions has gone backwards because of higher dividend withholding tax and the relatively strong Rand during the reporting period.

It is guiding AUD 0.23 cents per security, which is 3.6% higher than FY18.

Our investor relations team is responsible for creating better awareness and understanding of Growthpoint in the investment community in order to gain access to capital and achieve liquidity as well as a fair valuation of its shares. This includes ensuring that Growthpoint's strategy is clearly defined and well explained and that its investment proposition is well set out. The Investor Relations division is tasked with attracting a diversified shareholder base across investor type, investment style and geography.

Growthpoint won the award for the Best Presentation to the Investor Analysts Society in 2017 for companies with market capitalisation above R30bn.

Institutional Investor surveyed emerging EMEA for the first time in their analyst rankings this year. Some 328 investors and 189 sell-side analysts participated in the survey and nominated 473 companies across 12 sectors. Of these companies 36 were distinguished as most honoured for receiving two or more top three appearances. Growthpoint was among these, having been ranked either first or second in six categories for the construction and real estate sector.

Group CEO **overview** continued

Overview of property portfolio

	RSA	V&A	GOZ	GWI
Asset value (R million)	78 634	9 141	33 591	33 492
Number of properties	454	1	57	28
Gross lettable area (GLA) (m^2)	5 437 316	231 171	1 003 444	893 000
GLA as a % of total portfolio	71.8	3.1	13.3	11.8
Net property income as a % of total portfolio	75.0	6.9	16.6	1.5
Value per m^2 (R)	14 462	39 542	AUD3 294	EUR2 011
Value per m^2 (excluding bulk) (R)	13 952	37 672	AUD3 345	EUR2 011
Average gross rental (per m^2/month) (R)	122.4	237.6	AUD238**	EUR11
Average annualised yield (%)	8.7	8.4	6.4	–*
Average in-force escalations (%)	7.4	8.4	3.3	–*
Weighted average renewal lease period (years)	3.0	4.0	4.8	5.7
Property expense ratio (%)	23.8	28.9	14.2	–*
Number of employees	610	213	24	110
Drivers		Retail and office drivers, international and local tourism and residential property market demand dynamics	Industrial: Distribution and warehousing demand driven by activity in the retail, manufacturing, import and export markets, and changing business needs and operations of corporate Australia Office: Changing business needs and business growth	Strong economic growth attracting new market entrants in business process outsourcing, shared service centres and IT driving the demand for offices
Net property income (Rm)	6 436	594	2 174	131

* *GWI do not report on these indicators.*
** *Per annum.*

To better understand perceptions about our business, we appointed an independent third party to conduct a shareholder perception study. The results revealed that the most appealing elements of our investment proposition include the credibility of our senior leadership, our high-quality and diversified asset portfolio, the size and scale of our company within the South African market, and our transparent communication and investor relations efforts. Investors were less confident on the South African macro-economy and required added insight into Growthpoint's offshore expansion. Our programme of recycling capital by optimising and streamlining our RSA portfolio aligns with comments received to that effect from the investment community.

V&A Waterfront (V&A)

Positive performance was driven by new office accommodation coming on stream as well as the introduction of new hotels to the precinct in FY18.

David Green
Managing Director

OVERVIEW

Demand for offices	There is strong demand across the board for offices – head office, multi-tenant and co-working spaces.
Decline in Cape Town tourism	"Day Zero" publicity about the temporary Cape Town water crisis resulted in poor international tourism numbers for the city from April to July. This had a negative impact on both our hotel and retail components. The city has announced it expects the crisis to be averted in 2018 and 2019 and we are optimistic that tourism will revert to normal levels this coming summer.
Consolidation in the fishing industry	There is a shift where fishing is happening, with the main players being major quota holders. We support the industry and are responding by freeing up space.
Downturn in the local film industry	The film industry is cyclical and we have seen a steep slump following the Department of Trade and Industry (dti) grant changes that exclude permanent RSA residents and has resulted in a shift of the industry to other locations such as Ireland and Eastern Europe. Some of our industrial buildings are dedicated to a film industry campus with pre- and post-production facilities. We support this industry, but it is relatively volatile.
Slowdown in Cape Town residential property market	With little international investment interest, and migration from the north of the country slowing down, there is now an oversupply of residential space, especially property bought for investment in the market. We will carefully phase future residential development.

V&A continued

Performance

The V&A Waterfront achieved double-digit growth albeit at a lower quantum than in FY17.

The precinct has strong diversification of risk characteristics, with the positive contributions from our marine, industrial, cruise and office properties compensating for the downturn in retail fundamentals and lower-than-expected hotel occupancies because of the water crisis.

Positive performance was driven by new office accommodation coming on stream as well as the introduction of new hotels to the precinct in FY18.

Precinct vacancies, however, moved slightly higher in line with the general trend.

This year, we experienced an abnormal jump in property expenses with the introduction of the Radisson Red and new offices in the Silo District, as well as other extraordinary expenses. A disappointment in FY18 was the City of Cape Town dragging its feet on the rates rebate, despite the precinct performing almost all the services that it pays the city for.

Hotels

The growth in hotels, and the revenue we receive from them, has been a highlight of our performance. Hotels at the V&A Waterfront are, in general, delivering good performance and turnover rentals. They consistently enjoy occupancies that are 15% to 20% higher than the rest of Cape Town. Even with fewer tourists than expected in the region, our hotels outperform the city. The new Radisson Red and the Silo Hotel are performing above their original business cases. The Radisson Red, which is the first hotel we own and have a management contract with, showed particularly good performance.

The V&A Waterfront is well matched to hotel properties. It is a premier destination for business and leisure travel and we are taking significant steps to increase our exposure to the sector. Our aim is to increase hotel income from around 11% to 17%.

Retail

After a double-digit growth run for five years, retail is now feeling the impact of the low-growth economic environment combined with lower than expected tourism numbers, and achieved only low single-digit growth in FY18. Some international brands are withdrawing from South Africa, notably the brands that were part of the Edgars group. Even so, retail vacancies remain zero, with any spaces that become available being quickly re-let, such as Sportscene taking up the former Top Shop space. Turnover rental from H&M is, however, being negatively affected as more of the brand's stores continue to open in the region.

The Watershed, our design, arts and crafts destination, is trading well and has no vacancies.

Offices

The office sector showed good demand and robust rental reversions. Offices are in ascendance in the precinct, as is its marine and industrial accommodation. We are in discussions with more blue-chip businesses for corporate headquarters.

Workshop 17, our dedicated co-working and innovation space, continues to trade very strongly.

Marine and industrial

These sectors have delivered solid performances and, thanks to the new cruise terminal, the precinct continues to gain good traction with visiting vessels and super yachts. The terminal now serves five major ship-liner companies and will become a port of call for another two operators next year.

Residential

The Silo 3 residential sales were a success. They sold out and achieved higher than expected profits.

Development

Successfully bringing on stream the Silo District and the first buildings of Waterway House was a major achievement for FY18.

Development at the Silo District is now complete and it has created a true multi-use office and retail experience. We brought it on stream with both its retail and offices fully let and it has a strong base of blue-chip tenants. It has enjoyed excellent activation and immediate popularity.

The new Zeitz Museum of Contemporary Art Africa (MOCAA), which opened to the public in September 2017, is showing strong visitor numbers with more than 150 000 paying guests a year. Non-paying guests bring the total of visitors a year to about 250 000.

The Silo District received six of the 2018 SAPOA awards, including three coveted "Best Overall" awards. It won the Best Overall Building, Best Overall Heritage Building and Best Overall Refurbishment awards for the Grain Silo conversion to the Zeitz MOCAA. The property won Best Mixed-Use Development and Best Green Development for the overall Silo District, and Best Other Development for the Radisson Red Hotel. We are extremely proud that the Zeitz MOCAA won the Chicago-based International Council for Tall Buildings and Urban Habitat's 2018 award for the Best Building in the Middle East & Africa – especially in light of the breath-taking buildings that can be found in places like Dubai.

Much of the development we undertook during the year will come on stream in FY19.

Canal District

We have turned our attention to the Canal District mixed-use precinct that comprises 150 000m^2 of bulk. In September 2018, we will open Battery Park, a three-acre public park and the large 1 200 bay parkade located below it.

Activating the connection between the Waterfront and the city centre has been a focus. The Dock Road Junction, which includes the former Amway House at the very entrance to the Waterfront, connects to the Canal District and construction is under way and on track to accommodate SPACE, the co-working arm of Regus, from October.

We are working on a radical realignment of the precinct's entrance to the city in order to prioritise the district for traffic; much activity has been planned to achieve this.

When it comes to traffic, we are disappointed that the city has cancelled the Foreshore Freeway Project. We put a huge effort into our submission, which proposed a radical private sector investment into the city's transport infrastructure, heavily focused on public transport. Cape Town is growing, and in order to support this, it really needs improved public transport and a modal shift.

Retail

A 4 500m^2 expansion of Woolworths will begin in February 2019. The project will extend the retailer's premises on the lower ground level of the Victoria Wharf Shopping Centre. Woolworths will upgrade its store to introduce a more extensive food court and expand the ranges it offers.

Cruise terminal

We have moved on to the third phase of our investment in the cruise terminal. This phase will populate the area with dynamic co-working and open-plan office space, aligned with market demand.

Helipad

The V&A Waterfront is home to the busiest helipad in Africa, located on the pier end of the precinct. We will be enhancing it and adding a surrounding mixed-use development.

Socioeconomic and environmental commitment

Cape Town's water crisis, and our response to it, was a major consideration this year. We successfully reduced water consumption by 50% and our ability to dramatically reduce water use was only possible because of our ongoing focus on resource efficiency. The V&A Waterfront is forward thinking when it comes to creating water-efficient buildings, with various initiatives in place such as harvesting grey water. The higher cost of water has been offset by our reduction in water use.

Cape Town is shifting from being a water abundant city to being a water-scarce city. It is in transition. But water scarcity is the new norm. We will have a different attitude towards potable water consumption going forward.

V&A continued

The V&A Waterfront provided space for the city to implement a 2m litre desalination plant, which began operating in May. In addition, we will invest R200m in a desalination plant that can provide between 3.4m and 4m litres of water for the precinct, covering our entire current and future consumption needs.

While the precinct is growing, our electricity consumption is shrinking. This is the positive result of the renewable energy generated by rooftop solar panels.

Supporting better performance from our buildings and positive environmental impacts, we have a healthy constellation of Green Star SA certified buildings; all with at least four stars, and most with five or six.

The V&A Waterfront takes a strong leadership position in sustainability. Furthermore, we are leveraging our tenant base to do that. We have also opened our own recycling centre for sorting waste at source. We made a commitment as a business to eliminate single-use plastics in the precinct.

We again retained our Platinum Heritage Environmental Certification which is a recognition that we have achieved full compliance with the standards of Heritage South Africa. We are serious about honouring history, preserving heritage buildings, encouraging responsible tourism and doing things in an environmentally sustainable way.

The V&A Waterfront is an excellent example of a successful public-private partnership, being equally owned by Growthpoint and the Government Employees' Pension Fund represented by the Public Investment Corporation. It has adopted a highly effective governance structure that works for both private sector and public sector. The precinct has an official B-BBEE rating of level 3 under the new property sector codes, with 110% procurement recognition. We have grown our corporate social responsibility significantly this year and now invest approximately 1% of our NPAT on social issues.

We believe the V&A Waterfront is a sustainable, responsible and well-governed business to be proud of.

Prospects

We expect growth of around 11% in earnings from the V&A Waterfront in FY19.

Hotels and offices will drive this performance once again. Retail should contribute CPI-level growth, with marine and industrial properties performing somewhat better than the retail sector.

The longevity of the water crisis remains an uncertainty, as does its potential impact on our hotel and retail performance. However, we believe our fundamentals are strong and that the situation should improve this summer.

We will seek to take strides in actively developing the Canal Precinct and start shifting our attention to the planning for the development of Granger Bay. Active development at Granger Bay is still around five years away, but impact studies and other preparations must begin now.

We will continue to unlock value at the V&A Waterfront through the rollout of development and by enhancing its organic growth potential.

Key performance indicators – V&A (50%)	FY18	FY17
Gross property revenue (R million)	**836**	726
Property expenses (R million)	**(242)**	(204)
Net property income (R million)	**594**	522
Property expense ratio (%)	**28.9**	28.1
Vacancies (%)	**1.8**	0.8
Arrears (R million)	**34.8**	17.7
Bad debt provisions (R million)	**7.6**	2.8
Average gross rental (R per m^2/month)	**237.6**	231.1
Average annualised yield (%)	**8.4**	7.8
Average in-force escalations (%)	**8.4**	8.0
Weighted average lease period (years)	**7**	8.0
Asset value (R billion)	**9.1**	8.7
Number of properties	**1**	1
GLA (m^2)	**231 171**	223 016
Value (excluding bulk) per m^2 (R)	**37 672**	36 810
Capital expenditure (R million)	**295.6**	557.6

Top 10 V&A tenants in order of gross monthly rental (100%)

	Tenants	GLA m²
1	Allan Gray (Pty) Ltd	19 712
2	Nedbank Group Limited	26 552
3	Legacy Hotels	16 226
4	Tourvest Holdings Limited	3 210
5	Edcon Holdings Limited	7 940
6	Sun International Hotels	17 100
7	Newmark Hotels	7 563
8	PwC	9 650
9	The Foschini Group Limited	2 835
10	Woolworths Holdings Limited	7 605
Sub-total		118 393
Balance of V&A		335 533
Total for the V&A (excluding vacancies)		453 926

Funds **Management**

Growthpoint's Funds Management strategy is making real progress and successfully attracting third-party capital.

George Muchanya
Head of Corporate Finance

Overview

Growthpoint has introduced new low-risk revenue streams from Funds Management in its South African business. This is aligned with similar business models used by other leading international property companies and leverages our management strength.

Our Funds Management model is "capital light" with Growthpoint seeking to provide only 15% to 20% of the capital in each of the funds.

For a new fund, some of the key considerations include:

- the ability to scale the business
- niche asset classes, geographies, or investor types, differentiated from Growthpoint's core investments in office, retail and industrial property sectors
- the ability to attract institutional investor support

Growthpoint's Funds Management business has been welcomed by investors as groundbreaking, innovative and attractive. The start, particularly for Growthpoint Investec African Properties, was slow but momentum has picked up following a successful capital raise by the fund.

Performance

Growthpoint is now invested in and actively managing two funds, namely Growthpoint Healthcare Property Holdings via Growthpoint Management Services and Growthpoint Investec African Properties via Growthpoint Investec African Property Management, a management company jointly owned by Growthpoint and Investec Asset Management.

This activity has introduced new income streams for Growthpoint's investors in the form of management fees and property returns.

Both funds achieved their first successful close during FY18. Growthpoint Healthcare Property Holdings currently owns assets worth R2.5bn, while the investment team of Growthpoint Investec African Properties is in active discussions to acquire assets. Growthpoint's strategy is to build a Funds Management platform of R15bn in the next four years.

Prospects

Our first two funds will remain our immediate focus as we will seek to build scale in these before exploring new opportunities. However, given the positive prospects for Funds Management, we will seek innovative partnerships and ways of investing.

GROWTHPOINT HEALTHCARE PROPERTY HOLDINGS

Differentiator: Asset class
Manager: Growthpoint Management Services
Growthpoint's holding: 84.4%
Major co-investors: Pension funds

Growthpoint Healthcare Property Holdings is South Africa's first unlisted healthcare REIT. It received strong market interest with its first close attracting capital commitments of R285m from third parties and is expected to attract further capital worth at least double that amount in FY19.

Growthpoint provided R2.1bn to acquire Growthpoint Healthcare's starting portfolio, a portion of which was then converted into equity, leaving Growthpoint as the anchor investor with an equity investment of R650m on the first close date. The remainder is a R1.4bn loan to Growthpoint Healthcare, which will be settled over time as the company raises further capital. Growthpoint will remain a key investor.

There has been keen interest in the investment opportunity and pension funds in particular have found that it enables them to match their long-term liabilities with long-dated assets.

Investment assets

Growthpoint Healthcare invests exclusively in healthcare property assets in South Africa, including licensed operators of hospitals, clinics, pharmacies and laboratories. The sector is distinguished by strong covenants from reputable healthcare operators. The fund's assets are characterised by long leases, with many hospitals and clinics being longstanding landmarks in their communities.

Portfolio

Growthpoint Healthcare held five assets at year end valued at a total of R2.5bn. Its portfolio has a weighted average lease length of approximately nine years, which reflects the defensive nature of investing in healthcare real estate.

The fund has a R750m pipeline of hospital developments, which will benefit from Growthpoint's well-established property development expertise. The first is a new R450m specialist hospital that broke ground in June 2018.

Deal flow

The launch of Growthpoint Healthcare coincides with a phase in which many of the incumbent players in the healthcare sector, particularly newer or smaller operators, are seeking to grow. This is expected to provide deal flow for the 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 in order to manage their balance sheets more efficiently. This is consistent with models followed by other hospital groups globally.

Target

A stock exchange listing and R10bn in assets.

GROWTHPOINT INVESTEC AFRICAN PROPERTIES

Differentiator: Geography
Manager: Growthpoint Investec African Property Management
Growthpoint holding: 23.5%
Major co-investors: South African and foreign pension funds

Growthpoint Properties and Investec Asset Management, in partnership with the International Finance Corporation (IFC), began operating the pan-African real estate investment business Growthpoint Investec African Properties (GIAP) in May 2018. GIAP is managed by Growthpoint Investec African Property Management.

GIAP has secured capital commitments of more than USD212m from several large institutional and international investors, with Growthpoint committing USD50m.

Investment assets

GIAP will invest in income-producing commercial properties located in select cities across the African continent and further diversified by sector, being office, retail and industrial. Investments will be selected on their ability to support long-term rental growth from top-tier tenants and generate sustainable investor returns.

Portfolio

Following its first close, GIAP is actively seeking to deploy capital. Growthpoint executives recently made initial visits to Ghana to view potential assets and to better acquaint themselves with the market.

Deal flow

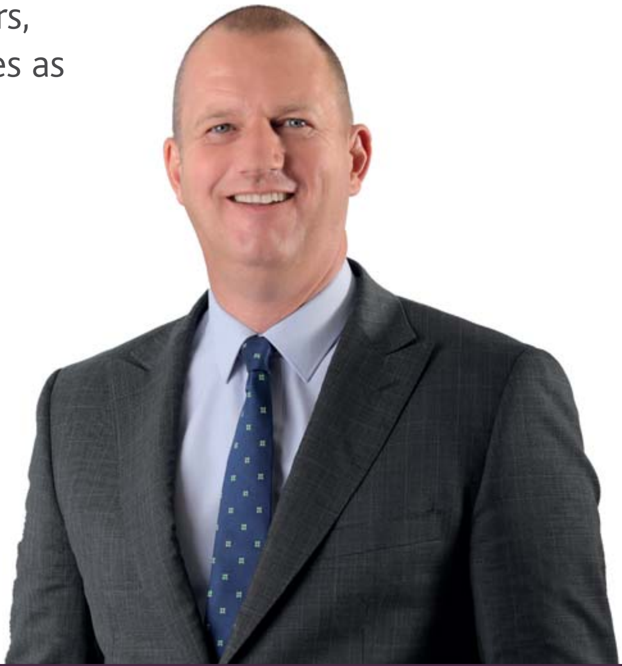
Developers of property across Africa are seeking ways to efficiently exit completed assets so they can recycle and redeploy capital. This is expected to provide deal flow for GIAP. Its investment is expected to support the development of local African real estate markets and to contribute to the wide-ranging progressive impact which real estate can have in such markets.

Target

A stock exchange listing and R10bn in assets.

Growthpoint **Australia (GOZ)**

GOZ achieved a good result overall for investors, with strong growth in the value of our securities as well as robust returns and distribution growth.



Timothy Collyer
Managing Director

OVERVIEW

Sound economic growth	Growth in employment, population and immigration are all positive drivers of the Australian economy. GDP growth for both 2018 and 2019 is forecast at more than 3%. This should help to reduce the unemployment rate even more. Australia has experienced economic expansion for 28 consecutive years.
Consumers under pressure	Business confidence has been strong and, until recently, the residential property market was booming. This raised housing prices significantly, and high mortgage payments are putting a strain on consumer spending. With banks in Australia being stricter with their lending criteria, house prices are now cooling somewhat. Even so, factors like high energy, education and health costs are constraining budgets and placing households under pressure. Wage growth has been relatively muted, barely keeping up with the consumer price index.
Stable interest rates	Interest rates set by the Reserve Bank of Australia have not moved, which is good for listed property prices.
Highly competitive market	There are typically around AUD30bn of real estate transactions in the Australian market in any given year. Over the past couple of years, offshore investments have accounted for a third to a half of that; whether direct or in partnership with locals. This makes the market especially competitive, particularly because of what GOZ considers expensive others see as reasonably priced, making it difficult to acquire property when competing against international bids.
Strong fundamentals on the Eastern seaboard	The strength of property market fundamentals in this region continued, showing improved rentals, especially for offices.

Key metrics for Growthpoint

	30 July 2009	30 June 2018	Growth %
Shareholding (%)	76	**65.5**	
Gearing (%)	66	**33.9**	
Net tangible asset value per security (AUD)	0.55	**3.19**	**480**
Share price (AUD)	1.6	**3.61**	**126**
Market capitalisation (AUD)	255m	**2.4bn**	**841**
Market value of investment (AUD)	195m	**1.6bn**	**721**
Market value of investment (ZAR)	1.3bn	**16.2bn**	**1 146**
Total number of properties	23	**57**	**148**
Property value (AUD)	643m	**3.4bn**	**429**
Closing ZAR/AUD exchange rate	6.46	**10.16**	
Total amount invested since inception (ZAR)		**8.3bn**	
Total amount invested since inception (AUD)		**1.3bn**	
Average exchange rate of investments		**6.50**	
Total distributions received since inception (ZAR)		**453**	
Total distributions received since inception (AUD)		**4.2**	
Average exchange rate for distributions received		**9.97**	

Performance

Our business is defined by providing steady, growing distribution streams for investors while achieving capital growth. Asset sales in mid-FY17 meant that our growth in distributions guidance for FY18 was 2.3% at the start of the year – or below our 3% to 4% target range. However, through good acquisitions and disposals, as well as effective cost control, we were able to upgrade our FY18 guidance to 3.3% growth in distributions, and deliver on this guidance.

GOZ achieved a good result overall for investors, with strong growth in the value of our securities as well as robust returns and distribution growth.

Our financial returns were very good as was our total return of 22.3% over the 12 months, which continued the outperformance that GOZ has achieved over three and five years. GOZ's return on equity was noteworthy, with NAV growth per security of 10.8% to AUD3.19.

The portfolio performed well and maintained its occupancy rate throughout the year, with vacancies at a low 2% of lettable area. Favourable leasing outcomes resulted in GOZ's most successful year yet in terms of actual square metres let. New contracts and renewals together amounted to 13% of GLA or 8% of income.

Expiries were minimal, which helped to contain vacancies. We faced two big vacancy risks in our industrial portfolio and both were well managed and re-let to stronger tenants. The portfolio's weighted average lease expiry is 5.3 years, indicating that most lease expiries are in the medium to long term. The average fixed increases on leases remained constant at 3.3%, while headline inflation is 2.1%.

This was a year of consolidation of our balance sheet and setting up avenues for investment going forward. We sold several properties into strong demand, reduced our gearing to slightly below our target range and established opportunities for development and expansion in our portfolio.

The competitiveness in the market to acquire assets remained a challenge this year. Responding to this, GOZ is making its first foray into development, and has also identified new markets in Perth to invest in. We are keeping merger and acquisition opportunities on our radar as a cheaper and more efficient way to grow the business, in view of the large amount of global money that is still seeking investment opportunities in the direct asset space. We investigated retail property as a diversification option but decided against it. We are actively looking for new investment opportunities that are in the best interests of security holders.

As a general principle we have been reweighting into the office sector. We certainly still see value in the industrial sector, which is moving towards etailing and delivery logistics. The opportunities that have come to us, however, have been in the office sector, which is currently strong. As a consequence, our activity this year is skewed towards selling industrial properties and buying offices. The types of properties we are buying are all modern city properties that have good leases with government or corporates.

Part of the reason for reweighting into office properties is that we believe there is higher growth in income from this sector. Driven by white-collar business growth, office vacancy rates in Australia are at a ten-year low.

GOZ continued

This year we are undertaking our first significant project as a developer. We have done many turnkey developments and will use the expertise of Growthpoint's internal project management team in conjunction with a highly qualified independent project management team. GOZ has policies in place regarding development, which cannot exceed 15% of group assets at one time.

The new speculative office development at the Botanicca Corporate Park in Richmond, Victoria, will comprise approximately 19 300m^2 of A-grade office space across two towers in Melbourne's CBD-fringe office market. The buildings are designed to achieve a 5-Star National Australian Built Environment Rating System (NABERS) energy rating and a 5-Star Green Star rating. The 18-month construction project will be complete in the second half of 2020.

GOZ does not intend to start a development business for third parties, but we are considering doing more developments for our own balance sheet, as well as redevelopments that would align with our strategy of adding value to existing assets and enhancing the portfolio.

We are working with our tenant Woolworths Australia to expand its Adelaide facility in a deal worth approximately between AUD50m and AUD60m, and have a pipeline of over AUD200m of development across the portfolio.

GOZ's strategy is to realise upside from the sale of some assets in the portfolio that have future redevelopment potential for others. We recently sold a property at a significant premium to its book value. This strategy will continue to play out in FY19. We have properties on the market that can be redeveloped into apartments, and hope to realise a higher than book value for them to invest back into traditional office and industrial assets.

GOZ derisked its portfolio by selling the Woolworths Australia distribution centre at 522 – 550 Wellington Road, Mulgrave, for AUD90.75m, at a 38% premium to its 30 June 2017 book value. The proceeds were used to pay down debt, reducing GOZ's gearing.

The Australian property market is certainly not homogenous, with rentals varying from city to city. While GOZ's portfolio is focused on the Eastern seaboard of Australia, it considers all markets for opportunities and in FY18, we acquired an industrial property at Perth Airport for AUD46m comprising four modern buildings that are well leased with good tenants.

After year end, GOZ bid on an office building in West Perth for AUD91m at a yield of 6.25% and will settle the transaction in October 2018. The fundamentals of the building are compelling; it is occupied by the Commonwealth government on an 8.3-year lease at attractive pricing with rentals increasing by 3.75% a year.

The fundamentals in the Perth office market in Western Australia have improved off the back of increased mining activity. Rentals are still relatively low compared to levels during the mining boom – by some 20% – and we believe we are buying at the bottom of the market. We see value opportunities in this market and, while it is a counter-cyclical play, it extracts yield in an otherwise relatively low-yield environment. Even so, we have taken a low-risk approach to market entry.

During the year, we successfully took an 18.2% stake in another A-REIT with complementary assets, Industria REIT (IDR), which was acquired for AUD68m. IDR is proving to be a good standalone investment that is trading at attractive levels and has sound metrics.

Our pleasing strides in sustainability were a highlight this year. GOZ is measured on two main scorecards: the Global Real Estate Sustainability Benchmark (GRESB) and the Carbon Disclosure Project (CDP). We increased our GRESB score as measured both against our previous score and relative to others in the industry. CDP has promoted us from a manager of environmental performance to a leader, and from a C grade to a B grade.

Our focus on sustainability places us in a good position to attract capital. The industry Association of Superannuation Funds of Australia – which represents the funds that are the equivalent of pension funds in the South African market – have awarded us their highest rating for disclosure based on our improved reporting, disclosure and systems.

Our increased NABERS rating, which edged up from 4.5 to 4.6, is another good achievement. We have now set 2017 as the new base year for our target of reducing greenhouse gas emissions by 10%. Previously 2014 was the base year, but our portfolio has changed significantly since then. Our new, ambitious targets will be quite a challenge to achieve; it is going to take a very proactive approach and we see solar power playing an increasing role in our renewable energy mix.

We had hoped to further diversify our sources of funding based on our sustainability credentials by issuing a green bond in the Australian MTN market, which would have been only the second corporate issue in Australia. However, the market turned with corporates generally unable to issue bonds, and it has only started to see new issuance at the end of August 2018. We believe a GOZ green bond would have been well received if the timing was appropriate.

We instead utilised bank refinancing. Our average debt maturity is still five years and we have pushed out our maturities, with the first occurring in September 2020. While this was a good result, we would have liked to open up new markets to leverage our sustainability credentials for longer-term debt.

Our green bond framework and certifications remain in place and, should the market be receptive and there be a need for debt, we would revisit a green bond issue. For now, however, we have a fair degree of debt headroom.

Prospects

Changes in the Australian REIT landscape because of global merger and acquisition activity are helping to grow the prominence of GOZ in its market. It is proving to be a compelling investment option that offers a relatively attractive distribution yield and a good quality portfolio.

GOZ's guidance target for FY19 is 3.6% growth in distribution per security and its key priority is finding new and better ways of growing our funds from operations.

Only 1% of leases come up for renewal in FY19, but this number is higher in FY20 and we intend to get an early start on them.

GOZ's first foray into commercial property development will be a focus point, given the development's size and the fact that this is new to our wheelhouse.

Our balance sheet is in good shape and we are in a strong position should we wish to pursue acquisitive opportunities.

GOZ will keep its sights firmly set on providing long-term sustainable growth in distributions for our investors.

Key performance indicators	FY18	FY17
Gross property revenue (R million)	2 533	2 637
Property expenses (R million)	(359)	(344)
Net property income (R million)	2 174	2 293
Property expense ratio (%)	14.2	13.0
Vacancies (%)*	2.0	1.3
Arrears (R million)	8.5	3.4
Bad debt provisions (R million)	–	–
Average gross rental (AUD per m²/annum)	238	237
Forward yield (%)	6.4	6.9
Average in-force escalations (%)	3.3	3.3
Weighted average lease period (years)	5.3	6.1
Asset value (R billion)	34	32
Number of properties	57	57
GLA (m²)	1 003 444	1 053 148
Value (excluding bulk) per m² (AUD)	3 345	3 109
Capital expenditure (R million)	102	473

** Measurements and ratios are based on income and not GLA (when compared to RSA).*

Top 10 GOZ tenants in order of gross monthly rental

	Tenants	GLA m²
1	Woolworths	282 041
2	NSW Police Department	32 356
3	Commonwealth of Australia	24 370
4	Country Road Group	23 156
5	Linfox	58 077
6	Samsung Electronics	13 423
7	Lion	12 317
8	ANZ Banking Group	13 744
9	Jacobs Group	8 207
10	Queensland Urban Utilities	7 663
Sub-total of top 10		475 354
Balance of GOZ		517 199
Total for GOZ (excluding vacancies)		992 553

Top 10 GOZ **properties by value**

1

1 Charles Street, Parramatta, NSW

Charles Street measures **32 356m²**, and is valued at **R3 151m**

A 5-Star NABERS energy rated, A-grade office building constructed in 2003, which is fully leased to NSW Police.

2

70 Distribution Street, Larapinta, QLD

Distribution Street measures **76 109m²**, and is valued at **R2 236m**

Woolworths major distribution centre for SE Qld, purpose-built in 2007, comprises temp-controlled/part-ambient warehousing, hardstand, loading facilities and two-level office.

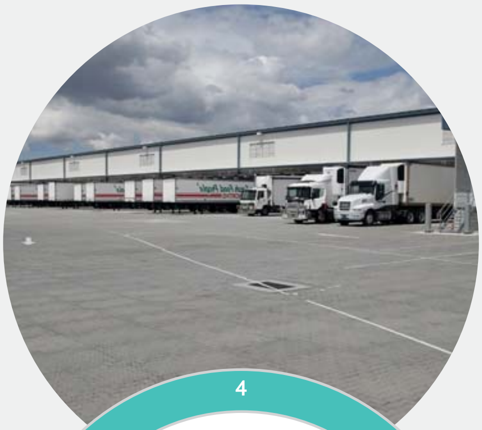
	1	2	3	4	5
	1 Charles Street, Parramatta	**70 Distribution Street, Larapinta**	**75 Dorcas Street, South Melbourne**	**20 Colquhoun Road, Perth Airport**	**Optus Centre, 15 Green Square Close**
Location:	New South Wales	Queensland	Victoria	Western Australia	Queensland
Sector:	Office	Industrial	Office	Industrial	Office
Value Rm:	R3 151m	R2 236m	R1 931m	R1 664m	R1 462m
% of total GOZ portfolio:	9.4	6.7	5.7	5.0	4.4
GLA m²:	32 356m²	76 109m²	23 811m²	80 374m²	16 442m²
% of total GOZ GLA:	3.2	7.6	2.4	8.0	1.6

3

75 Dorcas Street, South Melbourne, VIC

Dorcas Street measures **23 811m²**, and is valued at **R1 931m**

A 3.5 star NABERS energy rated, 11 level A-grade office, showroom and car park building with 690 parking bays. The building was constructed in 2002 and partly refurbished in 2015.



4

20 Colquhoun Road, Perth Airport, WA

Colquhoun Road measures **80 374m²**, and is valued at **R1 664m**

This property is a Woolworths regional distribution centre, constructed circa 2007 and expanded in 2009.

	6	7	8	9	10
	Building C, 219 – 247 Pacific Highway, Artarmon	**333 Ann Street, Brisbane**	**Vantage,109 Burwood Road, Hawthorn**	**3 Murray Rose Avenue, Sydney Olympic Park**	**5 Murray Rose Avenue, Sydney Olympic Park**
Location:	New South Wales	Queensland	Victoria	New South Wales	New South Wales
Sector:	Office	Office	Office	Office	Office
Value Rm:	R1 253m	R1 249m	R1 047m	R1 027m	R1 022m
% of total GOZ portfolio:	3.7	3.7	3.1	3.1	3.0
GLA m²:	14 375m²	16 320m²	12 388m²	13 423m²	12 386m²
% of total GOZ GLA:	1.4	1.6	1.2	1.3	1.2

Globalworth **Real Estate Investment (GWI)**

Please note that GWI and GPRE's respective financial year ends are 31 December and differ to that of Growthpoint's which is 30 June.

Ioannis Papalekas
Chief Executive Officer

OVERVIEW

Strong economic markets	The projected 2018 GDP growth for Romania is 5.2%, which is double the average Eurozone growth for 2017, and the projected growth for Poland is 4.2%.
Good property fundamentals	The cost of labour in both Poland and Romania remains below the average European wage, and both have a well-educated workforce. This is attracting multi-national corporate business process outsourcing, IT and communications, shared services centres and financial blue-chip companies, translating into robust demand for quality modern office and mixed-use real estate. Poland and Romania have become major outsourcing hubs for multi-nationals and financial institutions. They are respectively the largest and second largest outsourcing locations in the CEE region. Demand is also being supported by the increasing ease of doing business in CEE and the organic growth of IT companies.
Accretive development and acquisition opportunities	Investment dynamics are attractive, with positive yields ranging from 7% to 9% plus.
CEE attracting EU funds	The region is attracting a large portion of EU funds, which is catalysing the attraction of international investment. The CEE received 39% of the total EU budget for FY18 of EUR368bn, of which 18.3% went to Poland and Romania. These funds are to be spent on improving the competitiveness of SMEs, upgrading transport and energy networks, research and innovation, sustainable and quality employment and educational and vocational training.

Performance

GWI has established itself as the leading office investor in the CEE region, with a portfolio valued at around EUR2bn, broadly split between Romania and Poland.

A highlight over this past year was its expansion into Poland, the region's largest and most liquid market. In December 2017, GWI acquired 71.7% of the Warsaw Stock Exchange-listed Griffin Premium RE. NV, subsequently rebranded as GPRE and was fully consolidated into the GWI group. GWI completed this complex corporate transaction at a discount to EPRA NAV of approximately 20%, strategically ensuring immediate critical mass in Poland and a strong, local platform for growth. The initial GPRE portfolio contained 171 000m^2 of GLA across key Polish cities and subsequent acquisitions have already added a further 203 000m^2 of high-quality office space.

This expansion into Poland, alongside GWI's market-leading position in Romania, was a major milestone on its journey towards becoming the leading office real estate investor in CEE. GWI is well positioned for further opportunities and has improved its cost of capital through a combination of equity raises and debt refinancing.

GWI's balance sheet was significantly expanded in December 2016, when Growthpoint invested an initial EUR186.4m out of a total of EUR200m in new equity. In June 2017, GWI issued a EUR550m debut Eurobond and, in December 2017, the company raised a further EUR340m in equity, with Growthpoint investing an additional EUR110m. In March 2018, GWI issued a EUR550m EMTN note.

These actions strengthened and diversified GWI's capital structure and significantly reduced the weighted average interest rate on its debt financing to 2.62% at 31 December 2017, from 5.25% a year earlier.

GWI remains focused on income generation and value creation through its sizeable and growing portfolio of Class-A offices, with some logistics and light industrial properties included, benefiting from a diversified high-profile tenant base with quality leases. Over the past year, its portfolio has expanded rapidly, growing from 12 standing property investments, spanning 15 buildings, in Romania in June 2017 to 29 to 13 in Romania and 16 in Poland – spanning 48 buildings. This is a growth in GLA from 499 000m^2 to over 950 000m^2. In addition to this, the portfolio is set to expand further as GWI completes its next phase of developments.

GWI seeks to be the partner of choice for the wide variety of high-quality tenants active or seeking to become established in the region, with asset management at the core of its operations. Its robust leasing activity to global blue-chip tenants ensures high occupancy; over the six months to 31 December 2017, GWI reduced its overall vacancy rate from 8.7% to 6.7%. Over 75% of its contracted rent roll is to multinational companies and it benefits from a 5.7-year weighted average lease period, as at 31 December 2017.

Focusing on energy-efficiency, a typical requirement of multi-national tenants, and investing in modern buildings with green credentials have proven to be key factors in attracting a strong multinational tenant base. GWI's commitment to sustainability has been recognised with multiple awards and green accreditations, including the first Leadership in Energy and Environmental Design (LEED) Platinum Green Certificate to be awarded to a building in South Eastern Europe.

In Romania, GWI's flagship development is Globalworth Campus in Bucharest, which on completion will be a 92 000m^2 office complex in Bucharest's New Central Business District. Tower 1, a 29 000m^2 property, was delivered in 3Q17 and includes tenants such as Amazon, Honeywell and Mindspace. Tower 2 followed in 2Q18, offering an additional 28 000m^2, with tenants including Stefanini, Mazars, Chain IQ and P4Cards. Construction has now commenced on the final phase, Tower 3, which will offer a further 35 000m^2.

GWI acquired the third and final building of the 54 000m^2 Green Court Complex, the 16 000m^2 Green Court C. It also acquired the land for a potential expansion of a fourth building and a further land alongside. It commenced on the development of a new 42 300m^2 headquarters and design centre, Renault Bucharest Connected, which has been leased to Group Renault Romania for a term of 11 years and is due for completion in 1Q19. In addition, GWI has recently added a further land plot adjacent to this site to facilitate another phase.

GWI owns over 170 000m^2 of logistics and light industrial properties in the key hubs of Timisoara and Pitesti in Romania. It recently completed an 8 000m^2 industrial facility for Litens at Timisoara Airport Park (TAP) and, following the acquisition of 30ha of land adjacent to its TAP logistics complex, has the potential for up to 134 000m^2 of further phases of light industrial and logistics projects.

The investment platform in Poland has grown rapidly, with nearly EUR500m of acquisitions completed since GWI's initial investment. GWI, through GPRE, has assets in six of Poland's largest cities, all important hubs for business service centres. Besides offices, its portfolio

GWI continued

includes mixed-use office and retail properties.

To fund this ongoing expansion, GPRE successfully raised EUR450m of new equity in June 2018, with GWI investing EUR300m and Growthpoint investing EUR150m directly. This resulted in Growthpoint's direct ownership in GPRE standing at 21.6%, alongside GWI's at 68.4%. Norbert Sasse, Group CEO of Growthpoint Properties, and George Muchanya, Growthpoint's Head of Corporate Finance, were appointed to the Board of GPRE in April 2018, in addition to their similar roles at GWI.

Three high-quality office properties were acquired from Echo Polska Properties (EPP) in December 2017 for a total of EUR160m. These are West Gate in Wroclaw, Tryton Business House in Gdansk and A4 Business Park in Katowice, comprising some 71 000m² of GLA leased to leading names such as Intel, IBM and Nokia.

In 2018, further acquisitions in Poland include the Quattro Business Park complex in Kraków for EUR139m, the largest single property transaction in the company's history. The complex offers 60 200m² of GLA in five buildings leased to tenants such as Google and Luxoft.

In Wroclaw, acquisitions included West Link, a 14 400m² office building leased to Nokia and adjacent to the company's West Gate property for EUR36m, while in Warsaw, Warta Tower, an office building located in central Warsaw, was acquired for EUR55m. This multi-tenant building offers outstanding architectural qualities and comprises some 28 000m² of GLA across 21 floors.

In July 2018, the latest acquisition announced, Spektrum Tower, a landmark office tower in Warsaw's Central Business District was added for EUR101m. It offers around 29 500m² of GLA occupied by international companies such as BGZ BNP Paribas, Westwing and Calzedonia, as well as one of the largest gyms in Warsaw.

Consistent with the GWI's value-add philosophy, the acquired assets offer specific asset management roles with upside potential.

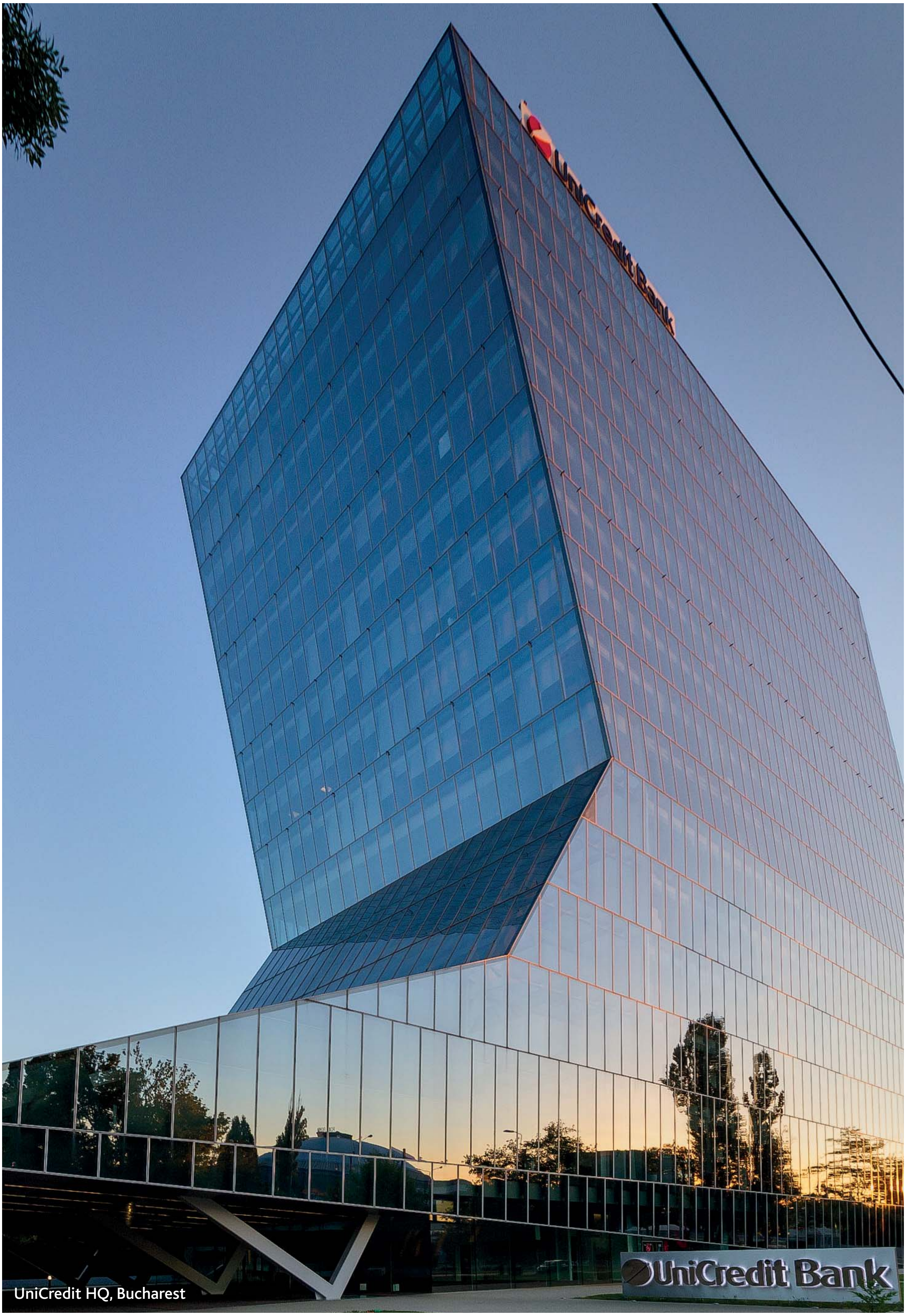
GWI has established a collaboration with Mindspace, the leading global operator of high-end, inspiring coworking space. In addition to a small equity investment (USD10m), Mindspace is entering Romania at three new locations in Bucharest, in addition to its existing location with Globalworth in Warsaw, Poland.

Prospects

GWI aims to provide a sustainable and growing dividend and has provided dividend guidance for FY18 of not less than EUR0.54/share. It has stated plans to move from the AIM segment on the London Stock Exchange to a premium listing on the main board, which is expected to broaden its shareholder base and facilitate greater access to capital.

The strategy remains underpinned by a strong economic backdrop, supportive of property market fundamentals, in both Romania, where GDP growth is expected to reach 4.1% in 2018, and Poland, where GDP growth of 3.8% is predicted. With its young, educated, affordable and ambitious labour force, the CEE region remains attractive to large multinationals expanding operations in the region.

GWI continues to see attractive acquisition and development opportunities in its targeted sectors of office and industrial property across both Romania and Poland, and has a well-defined pipeline offering further expansion potential for its high-quality portfolio.



UniCredit HQ, Bucharest

GOVERNANCE

IN THIS SECTION

V&A Waterfront, Cape Town

Corporate **governance**

The Board is guided in all matters by the Board Charter which sets out its responsibility.

Growthpoint upholds and applies the provisions and principles of the King IV Report on Corporate Governance™* for South Africa (King IV), which are followed for purposes of annual reporting. 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).

Roland Krabbenhöft
Company Secretary

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.

Good governance is part of Growthpoint's DNA. By making sure our King IV™ structured governance frameworks are firmly in place, and that all the practical details of the different governance processes are incorporated, the Board is able to focus on the business and make well-informed decisions that are in the company's best interests.

Our good governance standards create value for our business in many ways, but specifically by supporting our:

- good credit rating
- access to lower funding costs
- access to foreign investment
- ability to secure investments to grow our business
- ability to attract quality tenants to our buildings
- ability to retain and attract talent
- ability to take advantage of the opportunities that come our way.

Corporate governance has been thrown into the spotlight recently with several high-profile corporate governance failures in the market. We welcome this focus.

Our good governance standards are reflected in Growthpoint's track record of consistent performance over the past 15 years, which assures our stakeholders of our predictability, accountability, transparency and sustainability.

Growthpoint has the advantage of a stable management team and Board. While we are confident that the Board has the appropriate balance of knowledge, skills and experience, as well as independence for objective and effective governance, we assess both independently.

The Board considers its current composition to be suited to the company's business, but has commenced an independent skills profiling and assessment of the Board to enable good succession planning as we rejuvenate the Board. This will help to match the skillsets of new and future directors to those of the current directors and will identify skills gaps to be addressed in the future.

We have several longer-serving directors who, because of their experience and insight, make a particularly robust contribution to management accountability. We deeply value their inputs and their independent judgement, and want to ensure that these skills and knowledge are retained on the Board as it is refreshed.

The Board conducted its annual independent assessment of the non-executive directors and made use of an independent consultant to oversee the process, who confirmed the integrity of the process.

Further building on our good governance in FY18, we set up a formal IT governance framework and put suitable oversight in place.

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Philosophy

As part of the commitment to sound governance, the Board endeavours to ensure that the business is conducted with integrity and accountability, in line with the Code of Ethics incorporated in the Board Charter. This entails ongoing reviews of structures, policies and practices to enhance governance for the ultimate benefit of all stakeholders.

The company has remained compliant with the Companies Act, No 71 of 2008, as amended (the Act). The Board Charter and the Terms of Reference of Board committees are aligned with relevant provisions of the Act and King IV™, as are Growthpoint's own statutes and those of its subsidiaries.

Through the governance structures and processes that are in place, Growthpoint's financial and other controls and the supervisory oversight exercised in the organisation are appropriate and adequate.

2018 corporate governance assessment

The company has completed its annual governance self-assessment by applying an accredited governance assessment tool, with a very satisfactory outcome, as reflected in the table below:

King IV™ governance register at 30 June 2018

	Growthpoint Properties Limited – 1987/004988/06	Applied/not applied/not applicable
+ Principle 1	The governing body should lead ethically and effectively	Applied
+ Principle 2	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	Applied
+ Principle 3	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen	Applied
+ Principle 4	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process	Applied
+ Principle 5	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects	Applied
+ Principle 6	The governing body should serve as the focal point and custodian of corporate governance in the organisation	Applied
+ Principle 7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively	Applied
+ Principle 8	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties	Applied
+ Principle 9	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness	Applied
+ Principle 10	The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities	Applied
+ Principle 11	The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives	Applied

Corporate **governance** continued

	Growthpoint Properties Limited – 1987/004988/06	Applied/not applied/not applicable
+ Principle 12	The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives	Applied
+ Principle 13	The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen	Applied
+ Principle 14	The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term	Applied
+ Principle 15	The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision making and of the organisation's external reports	Applied
+ Principle 16	In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time	Applied

	Growthpoint Properties Limited – 1987/004988/06	Fully complied/ reviewed
	JSE Corporate Governance Listings Requirements	Fully complied

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.

Governance element	1. Ethical leadership and corporate citizenship

Summary of the application of King IV™ principles

The Board:

- provides effective supervision and leadership based on ethical imperatives
- directs strategy and operations for sustainable business
- annually reviews Group strategy
- ensures Growthpoint is a responsible corporate citizen
- ensures company ethics are managed effectively, under the auspices of the Social, Ethics and Transformation Committee in terms of the Act
- tracks measurements and key performance indicators for effective corporate social responsibility, green initiatives and programmes dealing with environmental sustainability
- monitors ethical risks and opportunities.

Governance element	2. Boards and directors
Summary of the application of King IV™ principles	

The Board:

- ensures that it acts in the best interests of the company
- acts as the focal point for, and custodian of, corporate governance and the governance of risk including information technology risk
- recognises that strategy, risk, performance and sustainability are inseparable
- endeavours to ensure that the Audit Committee and the internal audit function remain effective and independent
- ensures that Growthpoint complies with applicable laws and considers adherence to non-binding rules, codes and standards
- ensures that the roles of Board Chairman and Group CEO are separated
- maintains a balance of power, with a majority of independent non-executive directors
- ensures the Chairman is an independent, non-executive director whose role is defined in the Board Charter
- annually elects the chairmen of the Board and committees (except for the Audit Committee whose members and Chairman are elected at AGMs)
- appoints the Group CEO
- includes a Group Financial Director in an executive capacity, in accordance with the JSE Listings Requirements
- implements and periodically reviews an effective succession plan for senior management via the HR and Remuneration Committee, with the process being monitored by the Risk Management Committee
- works within an established framework for effective and controlled delegation of authority
- appoints directors by involving the whole Board, on recommendation of the Nomination Committee, in a formal process governed by the Nomination Committee's Terms of Reference and by the company's MOI (the removal of a director without shareholder approval, in terms of section 71(3) of the Act, is incorporated into the company's MOI)
- ensures bespoke induction and development of new directors
- is assisted by a competent, suitably qualified and experienced Company Secretary who is not a director and who maintains an arm's length relationship with the Board (formal assessment completed by the Board in August 2018)
- performs self-evaluation of the Board and its committees annually, with formal feedback. Directors are not individually assessed but the Board and committee self-assessment gives members the opportunity to comment on the performance and contribution of their colleagues
- assesses annually and has, during June to July 2018, assessed the independence (or not) of every non-executive director including those with tenures exceeding nine years
- delegates to well-structured, appropriately constituted committees without abdicating its own responsibilities
- applies the governance framework to Group subsidiaries and their boards
- ensures, on the HR and Remuneration Committee's recommendations (based on expert outside opinion), that directors and executives are remunerated fairly and responsibly
- ensures that remuneration of the directors is disclosed fully and individually
- obtains approval from the shareholders at each AGM for non-executive directors' fees in respect of the ensuing financial year
- seeks approval by shareholders at the AGM of Growthpoint's remuneration policy and implementation (currently a non-binding vote in South Africa).

Corporate **governance** continued

Governance element	3. Audit Committee
Summary of the application of King IV™ principles	

The Audit Committee:
- is effective and independent and ensures that its members, including the Chairman, are suitably skilled and experienced non-executive directors
- oversees the Group's integrated reporting and reviews the disclosure of sustainability issues
- satisfies itself annually of the expertise, resources and experience of the company's finance function and of the Group Financial Director's suitability
- oversees the internal audit function, receives internal audit reports at each of its quarterly meetings and approves the annual internal audit plans
- plays an integral role in the Group's overall risk management process
- specifically oversees financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and IT risk as it relates to financial reporting
- recommends the appointment of the external auditor and oversees external audits
- approves, implements and monitors a policy for non-audit services provided by the external auditor
- engages external specialists on material sustainability and integrated reporting aspects
- reports quarterly to the Board and annually to shareholders
- assesses annually its effectiveness as a committee.

Governance element	4. The governance of risk
Summary of the application of King IV™ principles	

The Board is responsible for the governance of risk, which it manages through an independent Risk Management Committee. This committee also monitors the company's compliance with the qualifying REIT criteria laid down by the JSE Listings Requirements (section 13), which it may delegate to the Audit Committee. The governance of risk is covered later in this report.

Governance element	5. The governance of information technology (IT) financial reporting risk via the Audit Committee
Summary of the application of King IV™ principles	

- The Board is responsible for the governance of IT risk via the Risk Management Committee, and in respect of financial reporting risk, under the auspices of the Group Financial Director, via the Audit Committee
- A formal IT governance framework is in place and is overseen by an IT Steering Committee, which is chaired by an independent IT expert who reports to the Risk Management Committee on the activities, findings and recommendations of the IT Steering Committee
- The Chief Information Officer, who attends the Risk Management Committee meetings, is responsible for the IT governance framework
- The external auditor will periodically assess IT governance against King IV™
- IT strategy is part of the Group's strategic plan and business processes
- The Board tracks and evaluates material IT investments and expenditure to ensure that IT infrastructure is managed efficiently
- IT forms an integral part of the company's risk management and IT internal audits are performed periodically by experienced outside parties.

Governance element	6. Compliance with laws, rules, codes and standards

Summary of the application of King IV™ principles

The Board:
- ensures that the company complies with applicable laws and considers adherence to non-binding rules and codes
- makes compliance a standing item on the Risk Management Committee agenda
- recognises that compliance is an ethical imperative
- acknowledges that compliance risk is an integral part of Growthpoint's risk management process
- ensures that effective compliance frameworks and processes are in place
- ensures that compliance officers are well qualified and have ongoing interaction with the Risk Management Committee and/or executive management on compliance matters
- has a working knowledge of applicable laws, rules, codes and standards, as well as the potential impact on the company and its business.

Governance element	7. Internal audit

Summary of the application of King IV™ principles

- The Board, via the Audit Committee, ensures that internal audits are effective and risk based
- The internal audit charter is approved and periodically reviewed by the Audit Committee
- The Head of Internal Audit and Risk Management reports to the Audit Committee quarterly, on the design and operating effectiveness of the company's internal controls and on internal audits or reviews
- Internal audit is strategically positioned to achieve its goals
- The internal audit function is appropriately resourced for the complexity and volume of work required.

Governance element	8. Governing stakeholder relationships and dispute resolution

Summary of the application of King IV™ principles

- The company has an Investor Relations Officer and formal investor relations policy
- The Board recognises that stakeholder perceptions can affect the company's reputation and seeks to ensure the equitable treatment of all stakeholders
- Management proactively deals with stakeholder relationships by balancing various stakeholder interests appropriately and in the company's best interests
- The Board ensures that disputes are resolved as effectively, efficiently and expeditiously as possible
- Where necessary, resolution of both internal and external disputes relies on the Association of Arbitrators of SA. Employees involved in any such process will be assisted by the company's legal advisers
- Communication processes and policy for interaction with the media and stakeholders are ultimately approved by the Board.

Governance element	9. Integrated reporting and disclosure

Summary of the application of King IV™ principles

- The Board is responsible for the integrity of the company's integrated annual report (IAR), with the assistance of the Audit Committee
- Annual sustainability reporting and disclosure is overseen by the Audit Committee
- Compliance with the Global Reporting Initiative, as well as the formal guidelines on reporting by the Integrated Reporting Committee (IRC) of South Africa, is assessed internally and externally.

Corporate **governance** continued

The Board of Directors

During the year under review and as at the date of issue of this report, Growthpoint had a unitary Board comprising 14 directors in total: four executive directors and ten non-executive directors, six of whom are regarded by the Board as independent.

The Board has started to appoint new directors as part of a process of rejuvenation, in terms of which Ms N Siyotula (non-executive) and Ms O Chauke (executive – HR Director) were appointed during FY18.

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 directors annually declare their financial interests, as per the Act. Directors' interests in the company's shares as at 30 June 2018 are set out in the annual financial statements (AFS) note 20 (related-party transactions).

Notwithstanding the finding that four 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 always act in Growthpoint's best interests.

A formal skills profiling and assessment of all directors is being conducted by an independent consultant and the Board considers its current composition to be suited to the business.

Non-executive directors have unrestricted access to company information and members of management besides 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, external auditor and the internal auditor to be held after every meeting.

The Board has adopted a Board level gender diversification policy with a voluntary 30% target for female representation, including black women. (Currently, the four female directors represent 29% 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.

Directors with tenures of more than nine years

Name of director	Year of appointment	Number of years in service	Status
MG Diliza*	2001	17 years	Not independent
PH Fechter**	2003	15 years	Not independent
JC Hayward	2001	17 years	Independent
JF Marais	2003	15 years	Not Independent
R Moonsamy	2005	13 years	Independent
FJ Visser	2001	17 years	Independent

** B-BBEE partnership*
*** In view of the number of Growthpoint shares under Mr Fechter's control, he is perceived by some shareholders to be non-independent, notwithstanding the fact that the Board is satisfied that he is able to, and does, apply his mind independently at Board and committee meetings.*

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 the King IV™ Code.

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.

GWI

As GWI is not a subsidiary, it is not expected to report to Growthpoint's Risk Management Committee in respect of corporate governance.

Growthpoint directors and officials hold positions on GWI's Board and committees, as follows:

- Board: LN Sasse, PH Fechter, G Muchanya
- Remuneration Committee: PH Fechter, and attendance by LN Sasse as an observer
- Audit Committee: attendance by G Muchanya as an observer.

GPRE

As GPRE is not a subsidiary, it is not expected to report to Growthpoint's Risk Management Committee in respect of corporate governance.

Growthpoint directors and officials hold positions on GPRE's Board, as follows:

- Board: LN Sasse, G Muchanya

Re-election of directors and new appointments

Directors who retire by rotation or otherwise at AGMs are those longest in office since their last re-election and those appointed by the Board since the last AGM. Retiring directors are named in the directors' report and AGM notice included with the notice and proxy of AGM and summarised financial statements. The Board, through the 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 handled by the full Board on the recommendations of the Nomination Committee. New directors are adequately informed about Growthpoint's business and policies, as well as meeting dates and procedures. All directors receive the Board Charter during induction and once a year for review at the appointed Board meeting.

One-third or nearest that number of the non-executive directors are subject to retirement by rotation and re-election by shareholders at the AGM each year.

Executive directors are, in terms of Growthpoint's 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, *ad hoc* or special meetings are convened. Due regard is given to recusal of directors where conflicts of interest or related-party positions exist or could arise.

Details of attendance at Board and committee meetings in FY18 are set out below. Board members are encouraged to serve on at least two Board committees.

Six scheduled Board meetings were held during FY18. In all cases where directors or committee members were unable to attend a meeting, the Board or respective committee accepted their leave of absence.

Corporate **governance** continued

Attendance at meetings

	Board	Nomination Committee	Audit Committee	Risk Management Committee	Property Committee	Social, Ethics and Transformation Committee	HR and Remuneration Committee
JF Marais	6/6	2/2		5/5*		2/4*	4/4
O Chauke**	0/0			5/5		4/4	3/4
EK de Klerk	6/6		4/5		4/4	4/4	4/4
MG Diliza	6/6	2/2			4/4	4/4	
PH Fechter	6/6	2/2	5/5		4/4		
LA Finlay***	5/6	2/2	5/5		2/2	4/4	
JC Hayward	5/6	2/2	5/5	5/5			
HS Herman****	2/2				2/2		2/2
SP Mngconkola	6/6			5/5		4/4	
R Moonsamy	5/6				4/4	4/4	
NBP Nkabinde	6/6			5/5		4/4	
LN Sasse	6/6	2/2		4/5	3/4		4/4
N Siyotula*****	2/4		1/2				1/2
FJ Visser	6/6	2/2		4/5			4/4
G Völkel	6/6		5/5	5/5	4/4	4/4	

** Standing invitation.*
*** Attended in executive capacity.*
**** Appointed to Property Committee on 14 November 2017.*
***** Retired from the Board on 14 November 2017.*
****** Appointed 1 January 2018.*

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, the Company Secretary and the Deputy Company Secretary must obtain prior written clearance from the Group CEO and/or Chairman if they intend to deal in Growthpoint shares, whether directly or indirectly. This policy also applies to certain other members of senior management who are from time to time privy to price-sensitive information.

Similarly, the company has a share dealings policy that governs dealings in GWI shares.

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.

Directors' remuneration

Directors' remuneration is subject to annual review by the HR 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 FY18 were approved at the AGM held on 14 November 2017.

The most recent review of non-executive directors' remuneration included benchmarking by Remco's independent advisers. The Remco proposals for FY19 were approved by the Board on 28 August 2018. These recommendations will be presented at the AGM to be held on 13 November 2018. At the same time, shareholders will be asked to approve, by way of non-binding votes, the company's overall remuneration policy and implementation for 2019. 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 remuneration of executive directors are described in the remuneration report.

The Chairman

The roles of the Chairman and 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 of 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 management of Growthpoint

- with Remco's involvement, assessing the performance of the Group CEO
- in liaison with the Group CEO, assessing 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 Nomination Committee) periodically reviews its composition relative to the skills, expertise and experience needed to provide strategic direction and leadership, and representivity 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 always cognisant of stakeholder expectations and interests. In its decision making, the Board adopts an inclusive approach to governance.

In July 2018, the Board, along with the HR and Remuneration, Audit, Property, 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 2018.

The Company Secretary

The Company Secretary, Mr RA Krabbenhöft, was formally evaluated by the directors in July 2018 and has been found to be suitably competent, experienced and qualified for his position. He holds a Fellowship with Chartered Secretaries Southern Africa (1993) and the Chartered Institute of Business Management (1993), a Diploma in Corporate Governance (RAU – 1997), and has been involved as a Company Secretary and Group Company Secretary of JSE-listed companies since 1987. He is not a director of any Group company but a full-time employee and maintains an arm's length relationship with the Board.

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 in particular seeks 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. The Code of Ethics and Growthpoint's mission and value statements are posted on the company website (www.growthpoint.co.za).

The outcomes of Growthpoint's governance structures, covered as follows, are dealt with extensively in other sections of this IAR.

Policies promoting ethical conduct

Growthpoint has various policies in place to promote and safeguard ethical behaviour and integrity among management and employees.

These policies include:

- the company's mission and value statements
- an employee integrity policy, to encourage employee compliance with policies and standards of best practice
- an anti-corruption and gift declaration policy
- whistle-blowing and protected disclosures, to encourage employees to raise concerns about workplace malpractice without fear of victimisation or reprisal
- substance abuse and sexual harassment policies forbidding these practices in the organisation.

Compliance framework

Statutory and regulatory compliance is a standing item on every agenda for the Risk Management Committee. Compliance with accounting standards and financial reporting requirements is overseen by the Audit Committee.

Compliance officers are decentralised throughout Group operations based on their expertise. The Company Secretary is responsible for Companies Act and JSE Listings Requirements compliance.

The Board receives feedback quarterly from the chairmen of all Board committees, in addition to the minutes of the preceding committee meetings.

Corporate **governance** continued

Compliance with the Code of Ethics is monitored directly and indirectly. The Group has in place a formal mandatory authorisation process for dealings in the company's shares, formal policies and procedures for accepting and granting gifts and inducements, disclosure of conflicts of interest and anti-corruption as well as formal levels of authority and delegated signing authorities for business transactions.

During FY18, Growthpoint had no incidents of major non-compliance, fines or prosecutions linked, for example, to anti-competitive practices or other governance and economic issues, or non-compliance with its Code of Ethics.

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. Its scope and functions are covered in the internal audit section of this report.

External audit

KPMG Inc. acts as external auditor for Growthpoint and its subsidiaries. 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.

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 which is paid for by the company.

Every Board committee has Board-approved Terms of Reference which are periodically reviewed and are aligned, to the extent applicable and possible, with King IV™, the Listings Requirements of the JSE Limited and the 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 selected Board committee meetings either *ad hoc* or by standing invitation. The Company Secretary attends all Board committee meetings.

All the committees have satisfied themselves that they have fulfilled their responsibilities in accordance with their respective Terms of Reference during FY18.

Chairmen's Committee

A Chairmen's Committee, comprising the Board's Chairman (as committee Chairman) and the chairmen of the Board's committees, meets on an *ad hoc* basis and serves as a forum for:

- chairmen of the committees to raise matters which they or their committees feel need to be raised with the Board
- executive directors to raise matters or emerging issues that are sensitive
- discussion of aspects of governance that might require attention from time to time.

The committee will also consider appropriate and effective approaches to matters to enhance the Board's efficiency, oversight and guidance.

Audit Committee

The Audit Committee comprises four non-executive directors, one of whom is the Chairman of the Risk Management Committee. Mr PH Fechter who is no longer perceived to be independent will relinquish his membership of the committee at the 2018 AGM. The remaining committee members are independent. The CEO: RSA, Group FD, external auditor, CFO: RSA and Head of Internal Audit and Risk Management are present at meetings by standing invitation.

The 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.

The committee has five scheduled meetings a year with one meeting dedicated to the review of the company's IAR.

To assist the Board in its supervisory and governance responsibilities, the committee ensures that:

- adequate processes are in place to safeguard the company's assets
- adequate accounting records are maintained
- the design effectiveness of internal controls is regularly reviewed and 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 prior to recommendation to the Board for approval
- an external auditor is appointed at all times to determine the scope for each external audit.

The committee reviews and sets the external auditor's fees for annual audits.

The committee is satisfied that the external auditor is independent and that the FY18 audit has been carried out without any restriction of the audit's scope.

The expertise of the members of the Audit Committee is reflected on pages 20 and 21 of this IAR.

Key focus areas for the committee during FY18 have been:

- KPMG, mandatory audit firm rotation (MAFR), and the assessment of options (which had also been deliberated by the Risk Management Committee) for appointing an alternative auditor if the need to do so were to arise ahead of MAFR implementation with effect from 1 April 2023
- The accounting treatment of goodwill
- The treatment of maintenance expenditure and reviewing the capital expenditure accounting policy
- Controls around the valuation of investment property
- In future, the committee agenda will include a "tax risk report" and will include local and foreign companies in which Growthpoint has invested
- More detail on financial reporting from subsidiaries
- The Committee's composition and skillset, independence of its members or their ability to act independently, and succession of those facing retirement in the foreseeable future.

The committee satisfies itself annually of the expertise, resources and experience of the company's finance function and of the Group Financial Director's suitability.

The report of the Audit Committee to shareholders on how it carried out its obligations is presented in the AFS.

Risk Management Committee

The Risk Management Committee comprises four non-executive directors, the majority of whom are independent. Its Chairman is also a member of the Audit Committee. The Board's Chairman, the Group CEO, CEO: RSA, Group FD, Group Treasurer, Head of Internal Audit and Risk Management, Human Resources Director, Chief Information Officer and external auditor are present at meetings, by standing invitation.

The 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 risks and opportunities identified.

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 the 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 areas for the committee in FY18 included:

- Monitoring progress in relation to the implementation of a new IT operating system for the business, as reported by the independent Chairman of the IT Steering Committee.

Risk management is covered in the risk management section of this report.

Property Committee

The Property Committee comprises four non-executive directors. It assists the Board with decisions regarding Growthpoint's property portfolio, as well as the review and approval of property budgets and valuations.

The Group CEO, CEO: RSA, Group FD, COO: RSA, CDIO, Heads of Asset Management, CFO: RSA, Management Accountant and the Retail Sector Consultant are present at meetings, by standing invitation.

The committee schedules four meetings a year. Its role is to:

- consider and decide on proposed acquisitions and disposals in terms of the levels of authority
- consider and decide on proposed capital expenditure
- periodically review due diligence processes for acquisitions

Corporate **governance** continued

- 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 prior to 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 of the committee in FY18 included:

- Investment and development guidelines for property trading and development
- Internationalisation and new acquisitions off-shore
- Challenges facing the property industry in the current economic climate.

HR and Remuneration Committee

The HR and Remuneration Committee consists of the Board's Chairman and two independent non-executive directors. The Group CEO, CEO: RSA and the Human Resources Director attend meetings by invitation.

The committee, which meets at least quarterly, 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.

The committee furthermore helps determine the key components of remuneration, in conjunction with 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 executive directors' service agreements
- determines the criteria for measuring the performance of executive directors and linking it to remuneration
- approves proposed allocations to eligible participants in the company's staff incentive scheme
- establishes remuneration credibility with shareholders and other stakeholders
- makes recommendations to the Board regarding the remuneration of non-executive directors, which is periodically benchmarked
- coordinates its activities with 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 activity is monitored by the Risk Management Committee.

Key focus areas of the committee in FY18 were:

- job grading and wage benchmarking
- executive remuneration restructuring
- succession planning
- workforce transformation
- remuneration policy and implementation reporting
- engagement of major shareholders on executive remuneration structuring.

The committee is satisfied that it has fulfilled its responsibilities during FY18 in accordance with its Terms of Reference.

Nomination Committee

The Nomination Committee consists of the members of the Chairmen's Committee and is chaired by the Board's Chairman.

The committee meets on an *ad hoc* basis and 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, size, and the balance between executive and non-executive directors
- succession planning for the Chairman.

The committee met twice in FY18 to discuss the composition of the Board and Board committees as well as the appointment of a new non-executive director and the executive Human Resources Director.

Social, Ethics and Transformation Committee

This committee's scope includes the statutory duties of a social and ethics committee in accordance with the Act.

The committee comprises five non-executive directors, the majority of whom are independent. The Chairman of the Board, CEO: RSA, Group Financial Director, Human Resources Director, Head of Corporate Social Responsibility, National Procurement Manager and National Developments Head attend meetings of the committee.

The committee meets four times a year. Besides the statutory duties of this committee, it evaluates, monitors and makes recommendations to the Board regarding:

- broad-based black economic empowerment (B-BBEE) 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 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 of the committee in FY18 included:

- Growthpoint GEMS, a bursary scheme for children of employees in the lower earning categories
- Corporate social investment initiatives and transformation, more fully reported upon in the relevant sections of this report
- The monitoring of progress made against EE and other B-BBEE targets.

Executive Management committees

Group Executive Management Forum (Group Exco)

Group Exco comprises the executive directors, the COO: RSA, CDIO, the Group Treasurer, the Head of Corporate Finance, the Head of Investor Relations and the retail sector consultant. The Group CEO chairs the committee and the Company Secretary and Deputy Company Secretary attend all meetings. The committee meets as required to consider Group results and operations, strategic issues and initiatives, and to monitor capital requirements and market trends.

RSA Executive Forum (RSA Exco)

RSA Exco comprises the CEO: RSA, the HR Director, the COO: RSA, CDIO, the CFO: RSA, the Heads of Asset Management, the Head of Marketing, the Treasury Manager, and the Head of Corporate Social Responsibility. The CEO: RSA chairs the committee and the heads of the company's regional office, the Company Secretary and Deputy Company Secretary attend all meetings. The Group Exco members have a standing invitation to all meetings of the RSA Exco. The committee meets monthly and reviews operations, quarterly results (actual *versus* budget and projections) and company policy.

Deal Forum

The RSA Deal Forum comprises the Group CEO, the Group FD, the CEO: RSA, the CFO: RSA, the COO: RSA, CDIO, the Heads of Asset Management and the Retail Sector Consultant 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
- completed deals as necessary.

The Deal Forum makes recommendations to the Property Committee and/or the Board regarding proposed acquisitions and disposals of physical property assets and letting enterprises that exceed its level of authority.

The Group Deal Forum deals with strategic, non-property related transactions.

Investor relations and access to information

The Board is committed to transparency and 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**

Growthpoint is focused on creating value for both stakeholders and the community at large, so non-financial measures for client satisfaction, transformation and sustainability have also been introduced.

Eric Visser
Remuneration Committee Chairman

Part 1: Background to Growthpoint's remuneration strategy and policy

Introduction

The Board of Growthpoint Properties Limited (the company) and the Remuneration Committee (the committee) have pleasure in submitting the remuneration report for the financial year ended 30 June 2018. This report sets out the company's current remuneration policy and strategy, and the detailed implementation and disclosure of remuneration for executive directors, Executive Committee members and non-executive directors. It provides insight into the new executive remuneration structure to be implemented in FY19 and sets out the remuneration policy and strategy for all other employees. Our remuneration policy has been designed to promote the achievement of strategic objectives, taking into account Growthpoint's risk appetite, and it is designed to promote positive outcomes as well as an ethical culture aligned with responsible corporate citizenship.

Growthpoint has an enviable position as the industry leader domestically, and as such the market looks to us to setting the benchmark, which we believe we do well. In some instances, our practices exceed domestic standards and meet global ones. Despite this, Growthpoint still competes for skills and talent and it is becoming increasingly important to ensure that key talent is motivated, engaged and retained. 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. The committee is committed to fair remuneration practices and ethical pay, both major themes within King IV™, and has made meaningful strides towards achieving these.

Shareholder engagement

Growthpoint prides itself on openness and transparency as well as the high standards we set ourselves for corporate governance. Our practice is to have open and honest communication with our shareholders on all matters where possible. We appreciate that we may not be able to consult with everyone. We can, however, assure you that we will keep on consulting as far as possible.

Despite active engagement with our major shareholders in FY17 with regards to concerns raised about our current remuneration structure and design elements for our new and improved remuneration structure, we had a 64.7% vote for our remuneration policy at our 2017 annual general meeting (AGM). This was significantly lower than the 79.9% vote in favour received at our 2016 AGM, even though there had been no change to the remuneration structure during that period. As a result, we invited all dissenting shareholders to further engage with us and reached out directly to shareholders covering approximately 60% of our base to address their concerns.

We are pleased to advise that feedback from the consultation with our major shareholders has been incorporated into the design elements of our new long-term incentive (LTI) scheme and the key performance indicators (KPIs) for the short-term incentive (STI) scheme:

FEEDBACK	RESPONSE/INCORPORATION INTO NEW REMUNERATION POLICY EFFECTIVE FY19
The executive retention scheme (ERS) is a retention scheme with no performance conditions	Introduction of a three-year performance-based LTI scheme in FY19
The lack of stretch targets in the KPIs for the STI	Introduction of new performance targets which are aligned with appropriate yield and growth expectations in the context of Growthpoint's size and risk appetite
No link to strategy in the STI KPIs	Strategy included as a new non-financial KPI for the STI
Suggestion to use a broader benchmark for the STI	SA REIT Index introduced to benchmark relative measures for both the STI and LTI schemes
Need to align our executives' interests to those of our shareholders and demonstrate their commitment to long-term growth	Introduction of minimum shareholding requirements from FY19
Targets are easily achievable with no stretch	Levels for threshold, target and stretch performance have been introduced for both the STI and new LTI schemes, with downside risk if threshold targets aren't achieved, and a commensurate upside if the stretch targets are achieved

Executive remuneration

Introduction of our new LTI scheme and changes to the current STI

With the introduction of the new LTI scheme we are confident that we can achieve an outcome that rewards executives for performance while being aligned to delivering shareholder value. The three-year, forward measurement scheme has performance conditions equally weighted for absolute total return (TR), relative TR and relative total shareholder return (TSR). Growthpoint is focused on creating value for both stakeholders and the community at large, so non-financial measures for client satisfaction, transformation and sustainability have been introduced. Threshold and stretch targets have been incorporated with a downside risk if the threshold is not achieved and a commensurate upside if the stretch target is achieved.

In order to avoid giving additional benefits to executives, the first awards under the LTI are being made in FY19 with the first vesting in FY21, which will be the timing of the pay mix change see page 141. In terms of the pay mix change, the STI will be reduced to accommodate the LTI and shift a bigger percentage of total remuneration into the long term. Even though this will only become effective in FY21, the new STI performance KPIs will be applied from FY19. The benchmark comparator group for the STI will be broadened from the current four property companies to the SA REIT Index adjusted, at the committee's discretion, to exclude companies that operate at significantly higher risk levels than Growthpoint. For FY19, Resilient and Fortress will be excluded. Threshold and stretch targets will be introduced for the STI and performance measurements will be adjusted so that financial elements account for 70% of the scorecard, with absolute and relative distribution growth per share equally weighted. Non-financial elements will account for 15% of the scorecard and a personal measure of 15% will be introduced. The maximum STI that executives can earn if the stretch targets are achieved has been decreased from the previous 200% of total fixed remuneration (TFR) to 187.5%.

For the STI KPIs, we will continue to measure absolute distribution growth per share against budgeted distribution growth which will equal guidance distribution growth per share provided to the market from FY19 going forward. Growthpoint's budgeting process is a vigorous bottom up process which is done in detail, property by property, and interrogated by all the members of the Property Committee and Board. In addition to the robustness of the budgeting process, Growthpoint is run in an extremely conservative manner with numerous policies in place to ensure this. Our interest rate and foreign currency hedging policies ensure that we mitigate interest rate and foreign currency risk as far as possible, providing certainty to our shareholders and offering them a pure property risk investment. Our preference for longer-dated debt, which generally tends to be more expensive, once again ensures a sustainable and predictable earnings stream by further mitigating interest rate risk caused by regular refinancing. Lastly, our internal gearing limits and desire to maintain an investment grade Moody's rating, thereby abiding by their even more

Remuneration **report** continued

stringent levels, will ensure that the business is always conservatively geared. We remain conscious of the distinction between retention and the need for a performance based LTI scheme. Retention of executive directors and executive management remains a crucial focus area within the current and new remuneration structure. We believe that the accumulation of deferred STI and the potential for superior vesting from the performance shares in the new LTI scheme, for premium performance, will drive retention. The third vesting of the original ERS awards took place on 1 April 2018, and we have indicated the detail of the vesting value for all executive directors in the total remuneration table on page 145. By April 2020, 80% of the 2014 ERS award will have vested. Even though new awards may be granted in exceptional circumstances, the ERS will be phased out over time, and the new LTI scheme will be phased in. Exceptional circumstances will be limited to the attraction and retention of B-BBEE candidates and the retention of key skills, given the skills shortage in the South African property sector. No new ERS awards were made to executives in FY18.

We value the time and inputs our shareholders have contributed to help us create a remuneration structure that meets both local and global standards. We are committed to always act responsibly as far as remuneration is concerned. As a committee, and based on the work done, we are comfortable that our executives are currently fairly remunerated and will be so under the new structure, which aims to ensure that future on-target remuneration will be on par with current remuneration.

General staff remuneration policy

Fair and reasonable pay

Growthpoint's remuneration philosophy incorporates the legislated principle of "equal pay for work of equal value". Our rewards philosophy for all staff looks at a balance between fixed and variable remuneration. Variable remuneration consists of an annual cash bonus under the STI scheme and zero cost options under the LTI. 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 certain performance objectives they want employees to achieve, and if these are attained, the employee's fixed remuneration is reviewed based on the company's and the employee's individual performance. This could result in an increase and performance bonus consisting of cash and shares being awarded. Some of our pay for performance objectives are as follows:

- attract, reward, enrich and retain talent required for realising business goals
- communicate and reinforce the values, goals and objectives of the company
- engage employees in Growthpoint's success
- reward employees for successful achievements
- ensure that Growthpoint's remuneration is competitive, measured through remuneration surveys
- promote the creation of a conducive 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 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 impact on 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 not one universally accepted measure of what must be included in our definition of a living wage, and as such it will vary by household type. Furthermore, the living wage differs from the national minimum wage in that the minimum wage is governed by national legislation and may fail to meet the requirements to have a basic quality of life. Growthpoint's philosophy on the living wage is to provide a level of income that enables our employees to afford a modest but decent standard of living. This generally means that an employee, notwithstanding any additional income they may have, should be able to afford food, shelter, clothing, utilities, transport, healthcare and child care. 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 gap cover, which covers employees' medical insurance shortfall
- personal accident cover
- dread disease cover
- educational assistance for qualifying employees' dependants.
- life cover

In terms of the last-listed benefit, Growthpoint is innovative in its approach to ensuring a dignified life for our employees and the GEMS programme which was launched in FY16 is an excellent example of this. This programme assists our lowest paid employees with educational costs for qualifying children. (See page 82 for more information.)

Growthpoint values all staff and strives to ensure that remuneration below executive level is structured fairly, and that all staff members are rewarded for superior performance. We recognise that remuneration forms an integral part of the employment offering that enables us to attract, reward and retain the staff we require to manage the company effectively and efficiently. We are particularly proud of our GSIS and believe that the participation of all employees in the GSIS, through the granting of zero cost options, helps us to create a culture of ownership that contributes towards employees who ar satisfied, engaged and motivated to perform to the best of their ability.

The company participates in annual remuneration surveys to ensure that our remuneration remains competitive.

Single figure reporting

In line with King IV™, single figure reporting has been introduced for the first time. The single total figure of remuneration is intended to enhance transparency of executive remuneration by consolidating all relevant information relating to current performance into a single table. The fundamental principle in determining when remuneration is received relates to the financial year of the applicable performance measurement. Our single figure reporting table can be found on page 146.

Non-binding advisory vote

In line with King IV™ and the JSE Listings Requirements, shareholders will have the opportunity to vote on the following at the 2018 AGM:

- A non-binding advisory vote on Part 2 of this report
- A non-binding advisory vote on Part 3 of this report
- In terms of the Companies Act, shareholders will have the opportunity to approve the FY19 non-executive directors' fees by way of a special resolution at the 2018 AGM
- Details on the role of the committee, its members and a summary of its FY18 activities can be found in the corporate governance section of this report on page 132.

We invite shareholders to engage with us prior to the 2018 AGM on any concerns or issues they may have regarding our remuneration policy; our Chairman and Group CEO are scheduled to visit our major shareholders before our AGM. Shareholders can also submit these requests to our Head of Investor Relations lturner@growthpoint.co.za.

We believe that our remuneration policy is aligned with best practice, and that its application will encourage a performance culture in the Group that will lead to sustained value creation for shareholders and other stakeholders.

Part 2: Growthpoint's remuneration policy

FY18 elements of remuneration

The current organisation-wide remuneration structure is made up of executive remuneration, offered to executive directors and Executive Committee members, and remuneration for all other employees, and is split between fixed and variable elements:

Total fixed remuneration (TFR)	Fixed Remuneration	Fixed remuneration is paid in cash. Executive fixed remuneration is targeted at the market median of the comparator group (see page 143), while remuneration for key employees may be set at the upper quartile to ensure retention and attraction of high-performing talent.
	Benefits	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 and life insurance policies.
Variable remuneration	Short-term incentive (STI) – cash bonus	For executives, the cash bonus is entirely based on company performance, measured against a scorecard of KPIs, as set out in Part 3 of this report. The STI scheme incentivises performance towards achieving targets set for each financial year. The targets set at the beginning of the financial year are derived from a vigorous bottom up budgeting process. Performance achievement against the KPAs and KPIs is benchmarked against a regularly reviewed peer group of companies in the property sector, currently Redefine, Emira, Hyprop, and SA Corporate. The targets set out in the KPA scorecard translate to a maximum STI achievable, which is formulaically calculated based on various weightings for each KPA. The committee, as and when needed, applies its discretion to determine an appropriate STI for each executive director and member of the Executive Committee, ensuring that the change in total STI from the previous year is not out of line with the overall performance of the company. For executives, the maximum cash bonus under the STI is 100% of total fixed remuneration (TFR). For all other employees, the annual cash bonus is determined by comparing performance to agreed performance objectives.

Remuneration **report** continued

<table>
<tr><td rowspan="2">Variable remuneration (continued)</td><td>Short-term incentive (STI) – deferred bonus under the GSIS</td><td>
For executives only, the cash bonus is matched in quantum by 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.
Zero cost share options are only awarded to executives when used as a mechanism to defer a portion of the total STI.
For executives, the maximum deferred bonus under the STI is 100% of total fixed remuneration (TFR).
</td></tr>
<tr><td>Long-term incentive (LTI) ERS under the GSIS</td><td>
The ERS is not awarded on a regular basis, with a significant initial award having been made in 2014. 20% of the initial 2014 awards vested in FY18. No new ERS awards were made to executives in FY18. Executive directors, certain Executive Committee members and a limited number of key staff participate in the ERS as part of the GSIS. The ERS is a notional share purchase scheme and is designed to retain executives and senior management over the longer term. The option 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 alignment between management and shareholders in that the eventual value that an executive will receive under the ERS is driven by the distribution per share, the growth in the distribution per share 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 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>
Under the GSIS, all Growthpoint employees excluding executive directors and Executive Committee members are awarded zero cost options annually 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 after year two with the last vesting of each award taking place after year five.
</td></tr>
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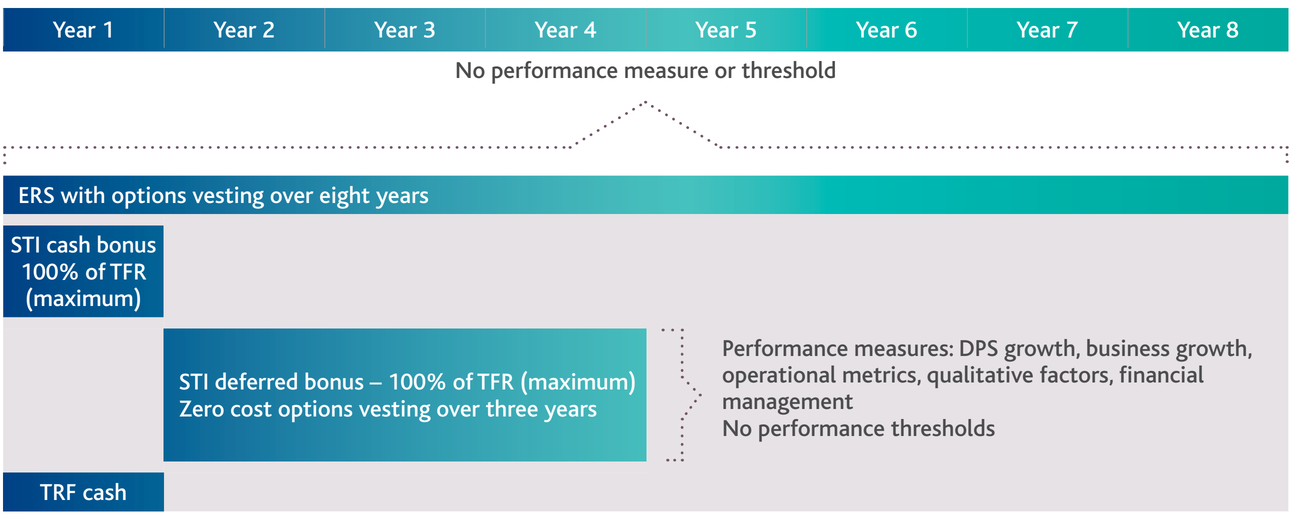


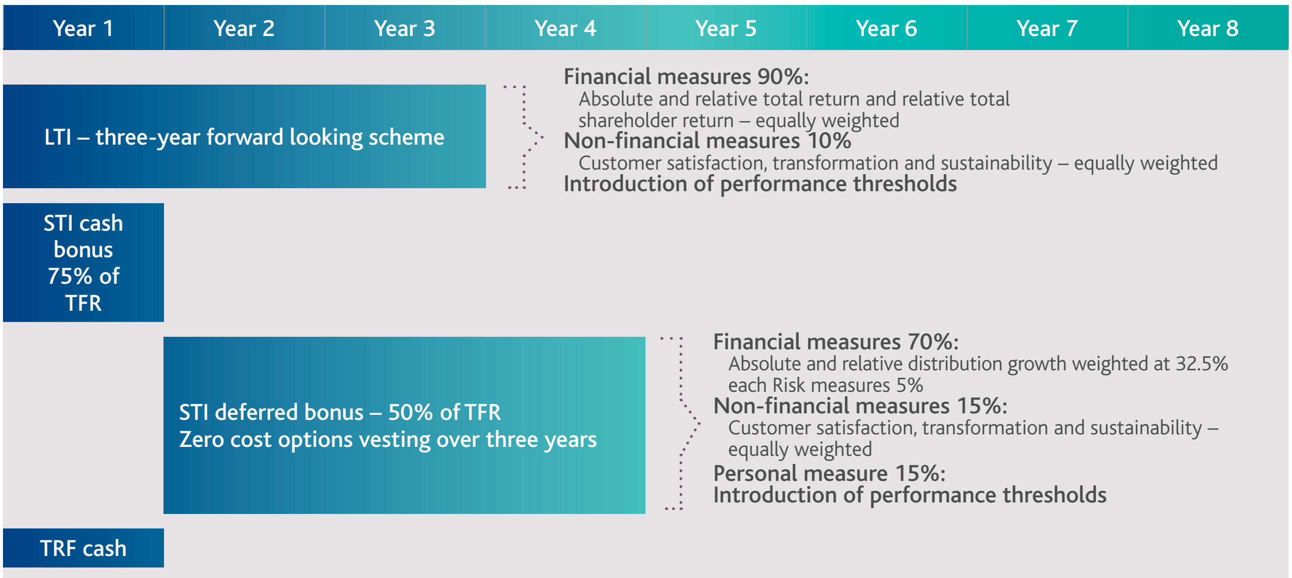
FY19 elements of remuneration

The changes to the current remuneration scheme for executives, for variable remuneration only, incorporate changes to the STI scheme and the introduction of a new LTI scheme from FY19:

Variable remuneration	Short-term incentive (STI): – cash bonus and deferred bonus under the GSIS	With effect from FY21 the cash bonus and deferred bonus will be decreased to make way for the introduction of the new LTI scheme. The cash bonus and the deferred bonus will be granted at 75% and 50% of TFR respectively. The cash bonus will be paid out immediately and the deferred bonus will be issued by way of zero cost share options vesting automatically in equal tranches over three years, subject to no further performance conditions. Threshold and stretch targets will be introduced. The STI awards will be subject to the following new performance measures, measured over a 12-month period from FY19: **Group measure – 85% of STI** **Financial – 70% of STI:** • Absolute distribution per share (DPS) growth relative to budget – 32.5% • Relative DPS growth to peers in the adjusted SA REIT Index – 32.5% • Risk measures including LTV ratio, debt expiry profile, interest rate hedging, secured versus unsecured debt, Moody's rating – 5%. **Non-financial – 15% of STI** • Customer satisfaction index – 5% • Transformation achievements against the Board-approved transformation strategy and against the internal target on B-BBEE scorecard – 5% • Sustainability relative to utility efficiency – 5%. **Personal Measure – 15% of STI** • Delivery on strategy and specific personal targets and objectives. **Absolute DPS** Absolute DPS will be scored relative to budget DPS which will equal guidance DPS. A 1% delta, both up and down, will determine the modifier for absolute DPS growth as follows: • If absolute DPS growth is more than 1% below budget, then performance is below threshold and the modifier is 0% • If absolute DPS growth is less than 1% below budget, then performance is between threshold and target, and the modifier will be linear interpolated between 50% and 100% • If absolute DPS growth is equal to budget DPS growth, then performance is on target and the modifier is 100% • If absolute DPS growth is up to 1% above budget, then performance is between target and stretch and the modifier will be linear interpolated between 100% and 150% • If absolute DPS growth is more than 1% above budget, then performance is at stretch and the modifier will be capped at 150%. **Relative DPS** DPS growth relative to the peers in the adjusted SA REIT Index will be market cap weighted, including Growthpoint, which will be capped at 15%, over a 12-month rolling period and will be ranked according to quartiles as follows: • If Growthpoint's rank is less than 25%, i.e. in first quartile and below the threshold, then the modifier will be 0% • If Growthpoint's rank is between 25% and 50%, i.e. in second quartile, then the modifier will be linear interpolated between 50% (threshold) and 100% (target) • If Growthpoint's rank is equal to 50% or at the median or on target, then the modifier will be 100% • If Growthpoint's rank is between 50% and 75%, i.e. in the third quartile, then the modifier will be linear interpolated between 100% (target) and 150% (stretch) • Rankings above 75%, i.e. in the fourth quartile and above stretch, the modifier will be capped at 150%.

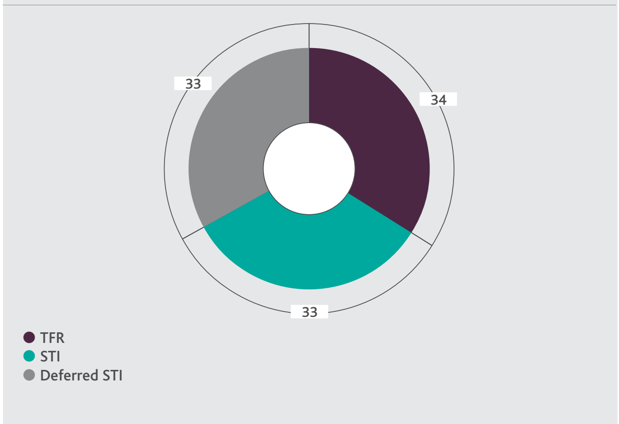
Remuneration **report** continued

Variable remuneration (continued)		
	New LTI scheme under the GSIS	The LTI scheme gives executives conditional rights to shares. It has a forward measurement period of three years and awards are settled in shares. The first award will be made in FY19 and will be based on the LTI award percentage, which is 75% of TFR, and expressed as a number of Growthpoint shares based on a 90-day VWAP calculated on an ex-distribution basis, on grant date. The LTI vesting percentage will be subject to the following new performance measures from FY19 with the first vesting in FY21: **Financial – 90% of STI** • 30% absolute total return (TR), 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 adjusted SA REIT Index • 30% relative total shareholder return (TSR), measured against peers in the adjusted SA REIT Index. **Non-financial – 10% of STI** • Customer satisfaction index – 3.33% • Transformation achievements measured against the Board-approved transformation strategy and against the internal target on B-BBEE scorecard – 3.33% • Sustainability relative to utility efficiency – 3.33%. **Absolute TR** 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: • If absolute TR is more than 1% below the WACC, then performance is below threshold and the modifier is 0% • If absolute TR is less than 1% below the WACC, then performance is between threshold and target, and the modifier will be linear interpolated between 50% and 100% • If absolute TR is equal to the WACC, then performance is on target and the modifier is 100% • If absolute TR is up to 1% above the WACC, then performance is between target and stretch and the modifier will be linear interpolated between 100% and 150% • If absolute more than 1% above the WACC, then performance is at stretch and the modifier will be capped at 150%. **Relative TR** TR and TSR relative to the peers in the adjusted SAREIT Index will be market cap weighted, including Growthpoint capped at 15%, over a 36-month rolling period and will be ranked according to quartiles as follows: • If Growthpoint's rank is less than 25%, i.e. in first quartile, then the modifier will be 0% • If Growthpoint's rank is between 25% and 50%, i.e. in second quartile, then the modifier will be linear interpolated between 50% and 100% • If Growthpoint's rank is equal to 50% or at the median, then the modifier will be 100% • If Growthpoint's rank is between 50% and 75%, i.e. in the third quartile, then the modifier will be linear interpolated between 100% and 150% • Rankings above 75%, i.e. in the fourth quartile, will be capped at a modifier of 150%. 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 2021) share price based on a 90-day VWAP (*ex* dividend). The aggregate maximum 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. The addition of the new LTI and the timing of the vestings will not result in further dilution. 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).

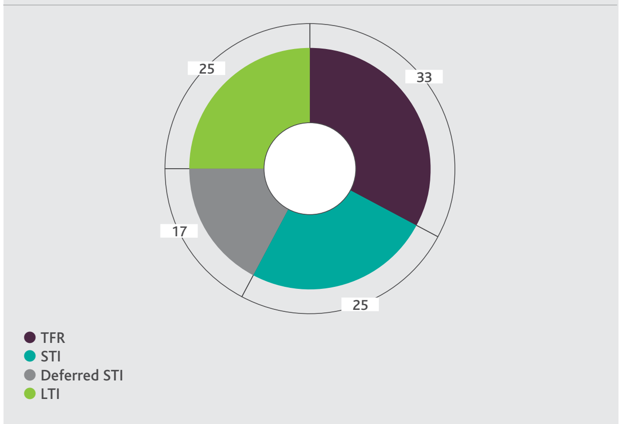


The following graphs depict the change in the Group CEO's pay-mix from FY18 to FY21 when the STI will be decreased to make way for the first vesting of the FY19 LTI awards:

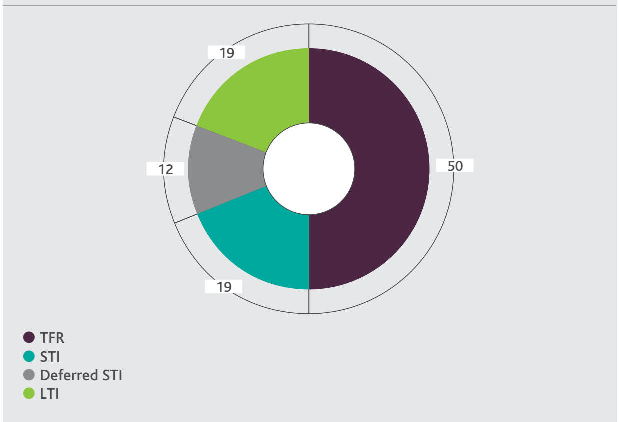
Current on-target package for the Group CEO (%)



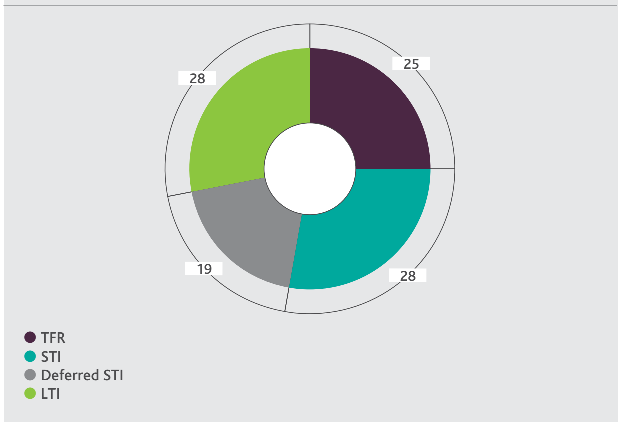
FY21 on-target package for the Group CEO (%)



FY21 average threshold package for the Group CEO (%)



FY21 average stretch package for the Group CEO (%)



Remuneration **report** continued

Minimum shareholding requirements

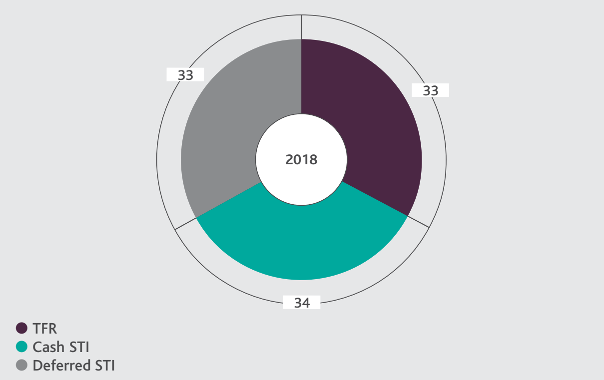
In order to align our executive directors' interests to those of our shareholders, and demonstrate their commitment to long-term growth, minimum shareholding requirements will be introduced in FY19 and executive directors will be given five years from the adoption of the policy or appointment to accumulate their holdings:

Group Chief Executive Officer	200% of TFR
South African Chief Executive Officer	150% of TFR
Group Financial Director	100% of TFR
Human Resources Director	50% of TFR

FY18 pay-mix for executive directors

Remuneration packages are designed to provide the appropriate balance between fixed remuneration and variable "at risk" remuneration which is linked to performance. Fixed remuneration is benchmarked against the same comparator groups used to benchmark remuneration for non-executive directors as set out on page 143. Variable pay will, depending on the role, function and responsibility of the executive, constitute between 40% and 75% of the total remuneration. The average current pay-mix for the executive directors is depicted below. The actual package outcomes are depicted in Part 3 of this report.

Current on-target package for executive directors (%)



Service contracts

The Group CEO and SA CEO have service contracts with Growthpoint with reciprocal six months' notice of termination provisions. The Group Financial Director and the Human Resources Director are on standard employment contracts with six-month reciprocal notice of termination provisions.

The service contracts provide for the following:

- An indefinite period of service, subject to the normal retirement age of the company, with a six-month reciprocal notice of termination provision
- Paid "garden leave" for the executives at the company's discretion;
- Restraints in relation to the company's clients, staff and corporate opportunities
- The KPAs and KPIs against which the executives are measured to be identified in the contracts
- Loss of office under certain circumstances.

Malus and clawback

Deferred bonus shares awarded under the STI scheme as well as shares awarded under the new LTI scheme will be subject to malus and clawback provisions which will be 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. The following include reasons for malus and clawback:

- Gross misconduct of an executive
- Material misstatement of the company's audited financial results.

Remuneration of non-executive directors

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, size measured by market capitalisation, complexity of the business, industry and location of operations are considered
- In determining the comparator group, turnover, number of employees, total assets and earnings before interest, tax, depreciation and amortisation were taken into account
- The FY18 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 page 129.

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. Executive directors or other 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 20.4 to the FY18 annual financial statements (AFS) (page 46).

Executive directors and other senior 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 for FY18

Fixed remuneration adjustments

In determining the fixed remuneration increases for executive directors, the committee considered relevant comparator group market data, using the same comparator group used for the non-executive directors, listed on this page. The average rate of increase for executive directors was 8.84%, and taking into account the outcome of the benchmarking exercise, excluding market adjustments made to FY18 remuneration, the rate of increase decreases to 5.89%. The appointment of the Head of Human Resources to Executive Human Resource Director resulted in an increased market adjustment in the executive directors' remuneration. The average rate of increase for executive directors and Executive Committee members was 7.16%. The salary increases for staff below executive level were awarded in July 2018 with an overall increase in the salary costs of 7.04%. The increases were effective on 1 July 2018 and are applicable for the period July 2018 to June 2019.

Remuneration **report** continued

FY18 STI outcomes (cash and deferred STI into zero cost options)

Actual performance in respect of the five KPIs, compared to the target performance, is set out and illustrated in the table below and indicates the maximum possible STI pay-out. Notwithstanding the achievement, or otherwise, of these KPIs, ultimate discretion in respect of the payment of cash STI, or award of deferred STI, remains with the committee and the Board of Directors.

	KPI	Weighting	Actual	Target	Performance achievement
(a)	Growth in dividend per share	60%			60%
	• Internal benchmark	30%	6.5%	6.5%	30%
	• Peer group benchmark	30%	6.5%	6.2%	30%
(b)	Business growth	10%			8%
	• Gross asset base (R132.9bn versus R122.3bn)		8.7%	>5%	
	• Gross revenue growth (R11.0bn versus R10.7bn)		2.8%	>7%	
	• Dividend growth in absolute terms (R6.1bn versus R5.6bn)		8.9%	>5%	
(c)	Operational metrics	15%			15%
	• Property expense ratio		23.8%	<27%	
	• Operating expense ratio		3.7%	<5%	
	• Overall vacancies		5.4%	<7%	
	• Total arrears (as % of collectables)		6.6%	<10%	
(d)	Qualitative factors	5%			5%
	• Compliance		✓		
	• Development of people/culture/values		✓		
	• Overall management review		✓		
	• Industry participation		✓		
(e)	Financial management	10%			10%
	• Loan to value ratio		35.2%	<45%	
	• Debt expiry profile		3.7 years	>3 years	
	• Interest rate hedging		81.5%	>75%	
	• Secured versus unsecured debt (longer term 50/50)		45.7/54.3	70/30	
	• Moody's rating		Investment grade	Investment grade	
	Total				98%

Executive directors

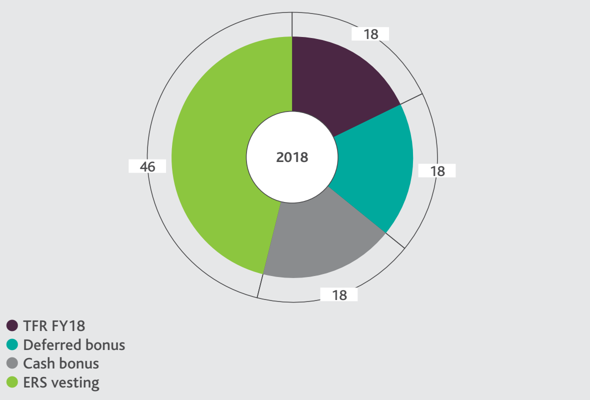
In the table below, the cash STI and deferred STI earned in the year under review are disclosed. The deferred STI will be paid in FY19, FY20 and FY21. ERS awards and deferred STI awards which vested in FY17 are disclosed.

Name	TFR FY18 R	TFR FY19 R	STI cash bonus[1] R	STI deferred bonus[2] R	ERS vesting FY18[3] R	Cash STI and deferred STI as % of TFR[4] %	Total remuneration FY18 R	Total remuneration FY17 R	% change
Norbert Sasse	6 560 000	6 957 000	6 818 000	6 818 000	16 887 186	196	37 083 186	26 583 900	39
Estienne de Klerk	4 940 000	5 378 004	5 270 000	5 270 000	10 932 191	196	26 412 191	18 498 116	43
Gerald Völkel	3 400 000	3 726 000	2 376 000	2 376 000	–	128	8 152 000	7 124 700	14
Olive Chauke[5]	1 960 000	2 173 008	745 000	745 000	–	69	3 450 000	1 850 000	86

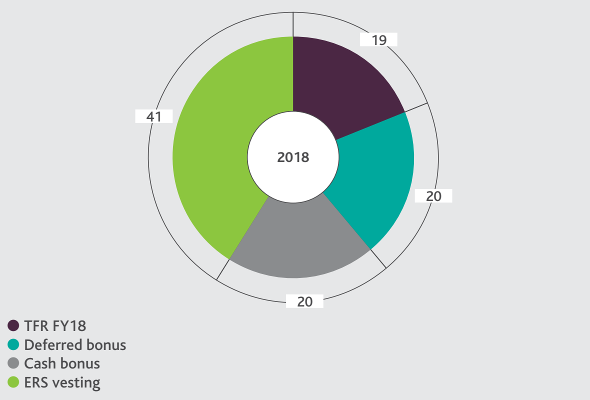
Notes:
[1] Calculated as 98% of FY19 TFR for Norbert Sasse and Estienne de Klerk, 64% of TFR for Gerald Völkel and 34% of FY19 TFR for Olive Chauke. Based on the FY18 performance and paid in cash in FY19.
[2] Deferred STI zero cost share options granted in FY18, vesting equally over three years in FY19, FY20 and FY21.
[3] 20% of the initial ERS awards granted in 2014 vesting in FY18. Only 10% vested in FY17. Excludes deferred STI awards from prior periods vesting in FY18.
[4] Expressed as a percentage of TFR for FY19, being the TFR applicable at the time the STI awards were approved by the Board.
[5] Olive Chauke was employed in January 2017 and was thus only in employment for half of FY17.

Actual remuneration outcomes paid to executive directors FY18

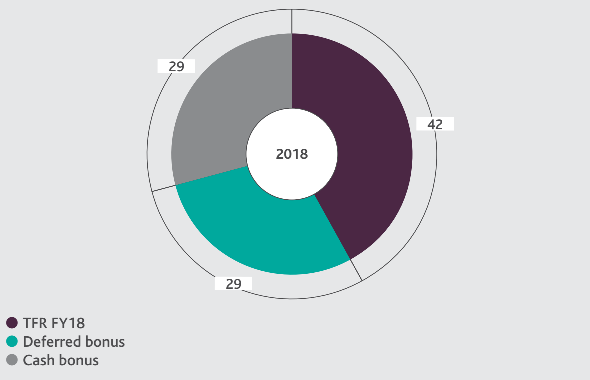
Norbert Sasse (%)



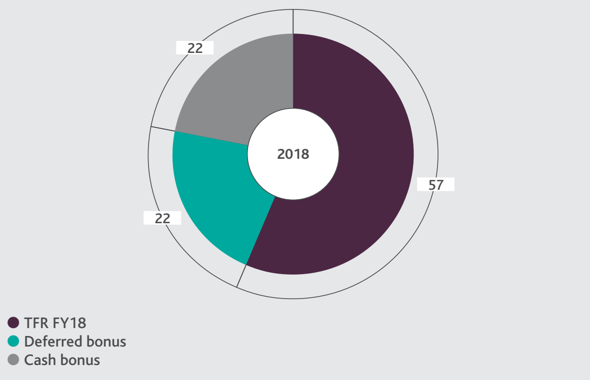
Estienne de Klerk (%)



Gerald Völkel (%)



Olive Chauke (%)



Remuneration **report** continued

Executive directors' single total figure remuneration

This table provides a summary of all remuneration that is received or receivable for the reporting period, and all the remuneration elements that it comprises, where applicable disclosed at fair value.

Name	TFR[1] R	Annual bonus[2] R	Deferred remuneration[3] R	Total remuneration R
2018				
Norbert Sasse	6 560 000	8 610 028	20 935 947	36 105 975
Estienne de Klerk	4 940 000	6 619 487	14 378 455	25 937 942
Gerald Völkel	3 400 000	2 979 716	2 620 185	8 999 901
Olive Chauke*	1 960 000	829 045	148 273	2 937 318
2017				
Norbert Sasse	6 175 000	7 629 823	18 533 499	32 338 322
Estienne de Klerk	4 650 000	5 745 588	12 744 868	23 140 456
Gerald Völkel	3 100 000	2 427 837	755 061	6 282 898

Notes:
[1] TFR is made up of basic salary plus provident and medical aid.
[2] The annual bonus comprises the total bonus earned and settled within one year from financial year end. Therefore, the annual bonus includes the cash STI and one-third of the deferred STI awarded in the respective financial year.
[3] The deferred remuneration includes:
2017: deferred STI earned in 2017 but settled from 2018 onwards (remaining two-thirds) and the fair value of ERS awards vesting in FY18
2018: deferred STI earned in 2018 but settled from 2019 onwards (remaining two-thirds) and the fair value of ERS awards vesting in FY19
** Appointed an executive director in FY18*

Executive directors' table of unvested awards and cash settlement

This table details all unvested and outstanding awards under the deferred STI and ERS at FY18. It also details the cash value of all awards made under variable remuneration, deferred STI and ERS awards that vested in FY18.

	Award date	Share price on grant R	Opening number on 1 July 2017	Granted during FY18	Settled during FY18	Closing number FY18	Cash value of settlements during FY18	Estimated closing value FY18
Norbert Sasse								
ERS								
2014 ERS	1 April 2014	24.60	3 200 000	–	800 000	2 400 000	16 887 188	53 325 298
STI								
Deferred bonus – zero cost share options								
2015 deferred STI	1 September 2015	25.16	73 360	–	73 630	–	1 888 610	–
2016 deferred STI	1 September 2016	27.13	135 821	–	67 911	67 910	1 741 917	1 468 711
2017 deferred STI	1 September 2017	26.59	204 362	–	68 119	136 243	1 747 252	3 212 788
2018 deferred STI	1 September 2018	23.99	–	248 837	–	248 837	–	4 952 876
Total						2 852 990	22 264 967	62 959 672

	Award date	Share price on grant R	Opening number on 1 July 2017	Granted during FY18	Settled during FY18	Closing number FY18	Cash value of settlements during FY18	Estimated closing value FY18
Estienne de Klerk								
ERS								
2014 ERS	1 April 2014	24.60	1 920 000	–	480 000	1 440 000	10 132 312	31 995 179
2016 ERS	1 April 2016	25.61	600 000	–	60 000	540 000	799 879	11 998 192
STI								
Deferred bonus – zero cost share options								
2015 deferred STI	1 September 2015	25.16	51 077	–	51 077	–	1 305 094	–
2016 deferred STI	1 September 2016	27.13	98 170	–	49 085	49 085	1 254 195	1 061 577
2017 deferred STI	1 September 2017	26.59	153 892	–	51 296	102 596	1 310 690	2 419 345
2018 deferred STI	1 September 2018	23.99	–	187 386		187 386	–	3 729 750
Total						2 319 067	14 802 170	51 204 043

	Award date	Share price on grant R	Opening number on 1 July 2017	Granted during FY18	Settled during FY18	Closing number FY18	Cash value of settlements during FY18	Estimated closing value FY18
Gerald Völkel								
ERS								
2017 ERS	1 September 2016	25.61	700 000	–	–	700 000	–	15 553 212
Deferred STI – zero cost share options								
2015 deferred STI	1 September 2015	25.16	6 635	–	6 635	–	169 790	–
2016 deferred STI	1 September 2016	27.13	31 183	–	15 592	15 591	398 999	337 191
2017 deferred STI	1 September 2017	26.59	51 297	–	17 099	34 198	437 538	806 434
2018 deferred STI	1 September 2018	23.99	–	83 831	–	83 831	–	1 668 580
Total						833 620	1 006 327	18 365 417

	Award date	Share price on grant R	Opening number on 1 July 2017	Granted during FY18	Settled during FY18	Closing number FY18	Cash value of settlements during FY18	Estimated closing value FY18
Olive Chauke								
Deferred STI – zero cost share options								
2018 deferred STI	1 September 2018	23.99	–	11 672	–	11 672	–	232 318
Total						11 672	–	232 318

Remuneration **report** continued

Non-executive directors' fees

The following fees are proposed for FY19. The increases in the proposed non-executive directors' fees for FY19 are based on the outcome of the benchmarking exercise concluded in FY18.

Schedule of retainer fees and fees payable per meeting:

	FY18 R	Increase %	FY19 R
Basic fee (per annum)			
Chairman*	1 241 500	6.00	1 316 000
Deputy Chairman/LID	159 900	6.00	169 500
Director	59 500	6.05	63 100
Attendance fee – per meeting (x5)			
Board			
Chairman	208 400	5.99	220 900
Director	66 900	5.98	70 900
Audit Committee (x5)			
Chairman	62 400	5.93	66 100
Members	44 400	6.08	47 100
Risk Management Committee			
Chairman	55 300	5.97	58 600
Members	37 300	5.90	39 500
Property Committee			
Chairman	62 400	5.93	66 100
Members	44 400	6.08	47 100
Social, Ethics and Transformation Committee			
Chairman	48 300	6.00	51 200
Members	30 900	5.82	32 700
Remuneration Committee			
Chairman	55 300	5.97	58 600
Members	37 300	5.90	39 500
Nomination Committee			
Chairman	48 300	6.00	51 200
Members	30 900	5.82	32 700

** 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 meetings, served as a director of the V&A Waterfront and attended the V&A Waterfront Remuneration Committee meetings.*

Refer to special resolution 2.2 on page 7 of the notice of AGM for approval of the directors' fees by shareholders in terms of section 66 of the Companies Act.

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-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 strategy off-site 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 committee 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 of one or more tasked members of the Board or of any committee, which may 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.

Actual fees paid to non-executive directors for FY18

The fees paid to non-executive directors for FY18 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 14 November 2017.

	Directors' fees FY18 R	Directors' fees FY17 R
MG Diliza (Social, Ethics and Transformation Committee Chairman and Property Committee)	**826 600**	814 000
PH Fechter (Property Committee and Audit Committee)	**927 400**	909 100
LA Finlay (Audit Committee Chairman, Property Committee and Social, Ethics and Transformation Committee)	**913 300**	875 300
JC Hayward (Risk Management Committee Chairman and Audit Committee)	**999 300**	819 200
HS Herman (Remuneration Committee Chairman and Property Committee)[2]	**326 950**	654 000
JF Marais (Board Chairman and Remuneration Committee)[1]	**2 529 300**	2 537 300
PS Mngconkola (Social, Ethics and Transformation Committee and Risk Management Committee)	**666 800**	692 400
R Moonsamy (Social, Ethics and Transformation Committee and Property Committee)	**695 200**	719 200
NBP Nkabinde (Social, Ethics and Transformation Committee and Risk Management Committee)	**666 800**	692 400
N Siyotula (Remuneration Committee and Audit Committee)[3]	**245 250**	–
FJ Visser (Remuneration Committee and Risk Management Committee)	**751 600**	745 600
Total[1]	**9 548 500**	9 458 500

Notes:

[1] *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.*

[2] *HS Herman retired 14 November 2017.*

[3] *N Siyotula was appointed 1 January 2018.*

Approval

This remuneration report was recommended by the committee on 21 August 2018 for approval by the Board of Directors of Growthpoint Properties Limited which approval was granted on 28 August 2018.

Signed on behalf of the Board of Directors

Eric Visser
Remuneration Committee Chairman

Risk **management**

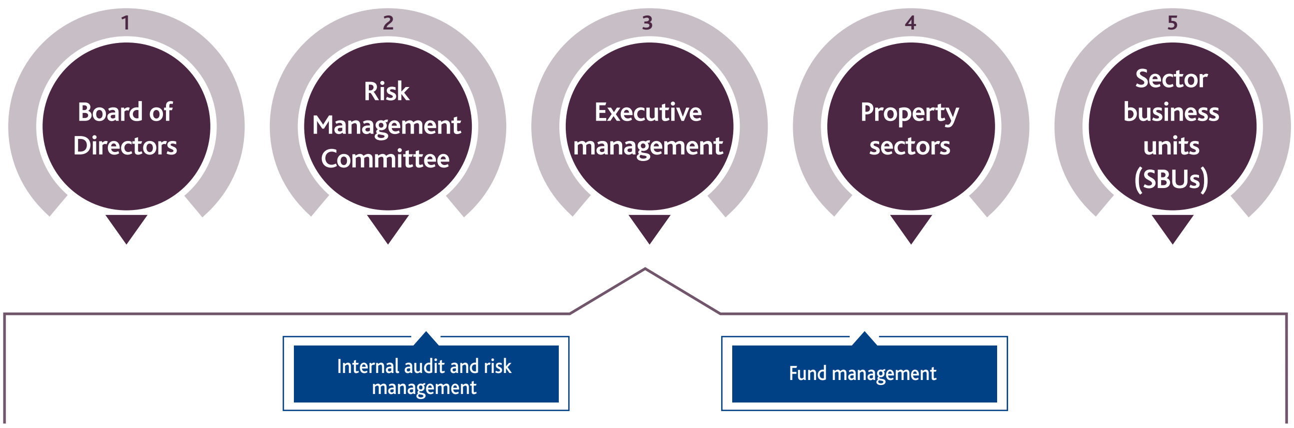
The risk philosophy and culture adopted is influenced by Growthpoint's vision, mission, objectives and values, which likewise define the company's risk appetite.

Steffen Nizetich
Head of Internal Audit and Risk Management

RISK FRAMEWORK

- Strategic risk
- Operational risk
- Reporting risk
- Compliance risk

RISK MANAGEMENT STRUCTURE



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, which meets quarterly. Growthpoint's risk framework encompasses four distinct categories.

Strategic risk

Risk is an event that could inhibit an organisation's ability to achieve its strategic objectives. The way the Board and management choose to respond to such strategic risks establishes the organisation's risk management philosophy and culture.

The risk philosophy and culture adopted is influenced by Growthpoint's vision, mission, objectives and values, which likewise define the company's risk appetite (the extent of risk that the Board and management are willing to accept in pursuit of value) and risk tolerance (the acceptable level of deviation from that risk).

Strategic risks are identified annually by Growthpoint's Group CEO. Nonetheless, given that strategic risk assessment is an ongoing process, the Risk Management Committee can add more risks, reassess existing risks or remove risks as required.

A key outcome of this process is that an appropriate response for each strategic risk is determined, measured and monitored.

The strategic risks identified for FY18 are reflected in the organisational overview section of this report.

Operational risk

Operational risks are identified in the same manner as strategic risks. However, due to the nature of the operational risks, they are managed in a more intense manner.

The key operational risks identified are assessed by their probability as well as their potential impact on the organisation.

Strategies are pinpointed to mitigate the impact of the risks, if and when they arise. Risk management strategies focus on one of four approaches:

- Control
- Transfer
- Tolerate
- Terminate.

Where management opts to control an operational risk, the relevant management control is identified, as is the governance oversight, the monitoring frequency and the key performance indicator.

Risk information needs to be processed and communicated promptly to ensure a suitable response. At Growthpoint, property information is generated monthly by key business processes and is accessible at many levels, from data on individual buildings to sector business units and sectors. This excludes the V&A Waterfront, GOZ and GWI, which each have their own risk management approach. Fund-related information is generated by the Group finance function either monthly or quarterly.

A pivotal role of Growthpoint's Risk Management Committee is to ensure that the controls implemented by management are effective. While executive management identifies the metrics used to monitor such controls, it is the internal audit and risk management function that collates the results and presents a quarterly report to the Risk Management Committee.

Internal audit further aids management in assessing whether or not systems of internal control are adequate and effective.

Reporting risk

Reporting risk is the risk that financial-related information is unintentionally altered or deliberately manipulated.

Executive and financial management have established systems of internal control to provide reasonable assurance of the validity, accuracy, completeness and timely accumulation of financial data. Such internal controls are subject to independent assessment by internal audit when performing regular business process reviews. These reviews typically assess the adequacy and effectiveness of controls for financial data at the general ledger and management reporting level.

Reliance is placed on the external auditor to ensure the fair presentation of the financial information at a statutory reporting level. Controls in the form of analytical reviews and reconciliations to sources, independent of the financial system, are performed by the Group finance function. These controls are subject to review and assessment by internal audit.

Risk **management** continued

Compliance risk

Primary legislation affecting Growthpoint is identified and documented by the company secretarial function with the in-house legal team and external legal advisers. The purpose of this exercise is to determine responsibility for the legislation that impacts Growthpoint operations.

Where necessary or if prescribed by legislation, compliance officers are appointed to oversee adherence to the relevant Acts.

Growthpoint appoints employees to positions based on their expertise and experience. Employees are expected to keep abreast of legislation and compliance requirements that affect their particular areas of responsibility.

Take the example of Growthpoint's Risk Information Management System (RIMS), the software program focused on the company's property operations and encompassing the following legislation:

- Building regulations
- The Occupational Health and Safety Act/Compensation for Occupational Injuries and Diseases Act
- Fire compliance regulations.

Facilities management personnel complete an electronic checklist for each building, each quarter. The results can be analysed on a building, sector business unit, sector and/or geographic basis. This readily helps to identify common issues that need management's attention.

Compliance with the above mentioned legislation is the responsibility of a dedicated Risk Officer who:

- regularly performs independent visits to buildings
- liaises with tenants when conducting building inspections
- liaises with both facilities management and property management personnel
- liaises with insurers
- initiates training interventions where necessary.

The work of the Risk Officer is complemented by Growthpoint's independent insurers, who undertake inspections of buildings regularly to ensure that the insurable cover is commensurate with the insurable risk that they have underwritten.

Other examples of how Growthpoint actively manages compliance issues include:

- the in-house Legal Department is expected to remain abreast of new and/or amended legislation and, where applicable, bring such legislation to the attention of the Risk Management Committee and the Board
- the Company Secretary is responsible for compliance with the Companies Act and JSE Listings Requirements.

Abbreviations

ABET	Adult basic education and training
Acucap	Acucap Properties Limited
AdmedGap	Hospitalisation Gap Cover
AFS	Annual financial statements
AGM	Annual general meeting
AIM	Alternative investment market of the London Stock Exchange
Alsi 40	JSE/Actuaries All Share Top 40 Companies Index
ANC	African National Congress
A-REIT	Australian Real Estate Investment Trust
ASX	Australian Stock Exchange
AUD	Australian Dollar
B-BBEE	Broad-based black economic empowerment
BPO	Business process outsourcing
bps	Basis points
c.	circa
CAGR	Compound annual growth rate
CCI	FNB/BER Consumer Confidence Index
CCIRS	Cross-currency interest rate
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
COSO	Committee of Sponsoring Organisations
CPI	Consumer price index
CPLI	JES 100 Carbon Performance Leadership Index
CRISA	Code for Responsible Investment in South Africa
CSI	Corporate social investment
CSR	Corporate social responsibility
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
EBP	Existing Building Performance
ECD	Early childhood development
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
FTSE/JSERI	FTSE/JSE Responsible Investment Index

Abbreviations continued

FY	Financial year
G²	Growthpoint gives
GAI	Governance assessment instrument
GBCSA	Green Building Council of South Africa
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
Group Exco	Group Executive Management Committee
Growthpoint	Growthpoint Properties Limited
GRESB	Global Real Estate Sustainability Benchmark
GSIS	Growthpoint Staff Incentive Scheme
GWI	Globalworth Real Estate Investments
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

IDR	Industria REIT
ISO	International Organisation of Standards
ITO	IT outsourcing
IT	Information technology
ITS	Integrated transformation strategy
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 tool
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
PAC	Property Council of Australia
PIC	Public Investment Corporation (SOC) Limited
PMS	Performance Management System
PV	Photovoltaic
RBA	Reserve Bank Australia
REIT	Real Estate Investment Trust
Remco	HR and Remuneration Committee
RFP	Request for proposal
RIMS	Risk improvement 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
SANS	South African National Standards
SAPOA	South African Property Owners Association
SAPY	South African listed property

SBTs	Science-based targets
SENS	Securities Exchange News Service
SESCF	Stenham European Shopping Centre Fund
SME	Small medium enterprises
STI	Short-term incentive
Sycom	Sycom Property Fund
The Act	Companies Act, No 71 of 2008
Tiber	Tiber group of companies
TFR	Total fixed remuneration
TR	Total remuneration
The Board	The Board of Directors of Growthpoint Properties Limited
The company	Growthpoint Properties Limited
The Group	Growthpoint Properties Limited Group
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
WSE	Warsaw Stock Exchange
WTTC	World Travel and Tourism Council
ZAR	South African Rand

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