RSA performance

Social need in South Africa has increased exponentially. We were nimble enough to adjust to the pressures that came with Covid-19 and continued with all our social initiatives in FY21, building on them where appropriate. We are an organisation with a heart.

CEO: RSA review

Estienne de Klerk
CEO: RSA

> As a company, we stepped up to the plate where Covid-19 relief was required and our staff have worked extremely hard to assist tenants where we can.

Total rental discounts given to tenants
R475m

Total rental deferrals granted
R191m (90% collection rate)

Due to the Covid-19 pandemic and macro-economic environment in South Africa, FY21 was a difficult period that created the most arduous operating environment that Growthpoint has ever faced. However, the company performed well and confirmed its sustainability even in these highly challenging circumstances.

The quality of certain parts of our South African portfolio has been highlighted by the pandemic, but the tough trading environment created by Covid-19 is nevertheless reflected in all key metrics for FY21: vacancies, arrears, trading densities, rental reversions and the number of business rescues in our tenant base. We have had to work hard to retain tenants – and not just by enticing them to stay, but also by helping to keep them in business.

Our business has been resilient operationally. The tenacity of our team is incredible. It has been goal-driven and laser-focused on doing the best for our clients and our business, throughout the pandemic.

From a general perspective, our in-office safety and staff rotation procedures worked well in keeping our staff safe during the pandemic, and we therefore did not experience any disruptions to our business operations.

In terms of staff health, a number of employees contracted Covid-19, and we supported them well. Sadly, one of our colleagues passed away during the year, and we extend our heartfelt condolences to his family, colleagues and friends.

As a company, we stepped up to the plate where Covid-19 relief was required, and our staff has worked extremely hard to assist tenants where we can, especially those in the restaurant and tourism industries. The negative impacts on income streams have put our top line under considerable pressure.

Our retail assets have experienced weaker trade, and the complexity of the various lockdowns have placed added pressure on rental levels. There was a noticeable improvement in this sector from January to April, after the country emerged from its second hard lockdown, but the rapid rise in Covid-19 cases and the re-imposition of lockdown at alert level 2 from 31 May, then adjusted alert level 3 from 16 June and adjusted alert level 4 from 28 June set us back again.

While the office portfolio was impacted by the pandemic-induced increase in work-from-home, the most significant influence on this sector in FY21 was the earlier contraction of the South African economy. Gauteng's economic activity tapered off by 17.5% in 2020, for example, and despite our best efforts to buck this trend, office vacancies and rentals contracted in tandem. It is in this region that our office portfolio faces the biggest threat. Our office exposure in Sandton, which previously served us well, has been hard hit. The decrease in Gauteng's economic activity has left this market significantly oversupplied, and this has put pressure on rentals and escalated the cost of retention and incentives. The Western Cape and KwaZulu-Natal (KZN) did not experience nearly the same levels of decline, although the unrest after year end in KZN may well impact business confidence in the province.

Our response to contextual challenges has been multifaceted. It includes considering alternative uses for some office buildings, disposing of others, and improving our ability to retain existing clients and attract new clients to our portfolio. We made good strides in all these areas, and this will serve us well now and in the longer term.

Assets in our industrial portfolio have been the most resilient, although the impact of business rescues and liquidations, specifically in the construction, tourism, eventing and steel industries can be seen most clearly in this portfolio. As there is still demand for quality new logistics properties, our development team has been busy on projects in this sector. When embarking on these developments, we are careful to ensure that our clients are not only creditworthy but also understand their own requirements.

Our development team continued to complete projects successfully and generate profits for the business in FY21, notwithstanding the complex environment. It also won several awards for exceptional projects during the year. We remain nimble in seeking and identifying opportunities to deploy our trading and development skillsets in order to generate profits. To some extent, these skills also support our disposal strategy by recognising the best value for our non-strategic assets. Here, we are not limited to the three traditional commercial property sectors of our core business but are able to respond to diverse demand and opportunities, including those in healthcare and residential property. In line with this, we completed the development of the specialist surgical Cintocare Hospital in FY21 and commenced the development of a sectional title residential development, the Kent La Lucia with in excess of 75% pre-sales.

Development work in our office and retail portfolios has focused on reconfigurations, tenant installations, and the steady implementation of our green agenda. In keeping with our environmental sustainability drive, we approved several solar power projects and expanded existing PV installations in line with the new electricity generation regulations.

We also forged ahead with our strategic initiatives, including the optimisation of our RSA portfolio. Growthpoint continues to analyse its portfolio carefully and focus on investing in strong industries, regions and communities. Our balance sheet is in an excellent position to support this because we pre-emptively raised sufficient capital to bolster our business's strength and resilience.

During the year we sold R560m worth of assets that did not align with our strategic objectives and held R181m for sale at year end.

We remain open to opportunities and acquisitions, and especially value those that will ensure sustainable income, which is not easily achieved in this uncertain and challenging market.

The V&A Waterfront's contribution to Growthpoint has more than halved as a result of the pandemic's substantial and prolonged disruption. This is concerning, but we still believe the asset is a good investment. During FY21 we worked on the strategic objectives set out by the V&A and they completed the developments that were already underway.

We have made good progress in establishing our funds management business, and we are now building it with greater confidence. Growthpoint is also in the process of launching and raising capital for a purpose-built student accommodation unlisted REIT. This new fund will give institutions and other investors access to an auspicious real estate space that has previously been inaccessible to them. The response has been good and we are confident we will raise the target amount.

The Africa fund, Lango, has grown enormously and performed well. The healthcare fund, GHPH, delivered a good performance of double-digit growth – in stark contrast to the rest of the property industry. Attracting International Finance Corporation funding is a tremendous vote of confidence for the healthcare fund and an endorsement of its excellent ESG credentials for other development finance institutions. We have many opportunities to grow the fund to the extent that we can raise capital.

We scaled back on our collaborative workspace initiatives with Workshop 17 by disposing of our shares in the venture. In the future, Workshop 17 will only operate specific sites on a management contract basis. However, our initiative with the concierge shopping and delivery service OneCart has grown phenomenally, given the pandemic environment. The company is currently under offer from Massmart Limited, and should all conditions be met, we will dispose of our shares at a profit. We will continue to explore other initiatives and innovations that support the growth and performance of the business.

Growthpoint has played a pivotal role in helping the property sector to navigate and find solutions to the challenges created by Covid-19 by collaborating with key stakeholders since the onset of the pandemic. This co-operation has taken place with the permission of the Competition Commission and in addition to building strong relationships in the industry, it has enabled a cohesive response to large tenants and helped them and landlords to avoid time-consuming and expensive litigation. It has also created a benchmark for efficient and productive negotiations with smaller tenants that were the hardest-hit by the lockdowns, including restaurants, cinemas, and gyms, and helped us to preserve relationships with them.

This collaboration continued to assist us operationally when the country returned to stricter lockdown levels in December and January and is still serving us well as the third wave's most serious lockdowns extend into the next financial year. We continue to communicate well with our tenants, and to build valuable relationships with and improved access to the leadership of many retail groups and more prominent clients. Together with our tenants, we are navigating this tricky environment positively and efficiently.

We are pleased that SAPOA has initiated an economic impact study of inflated municipal rates increases and poor service delivery to the property sector. The results will provide a platform on which we can work with the government to reduce the disproportionate financial strain on the sector and the lack of support in basic service delivery. This year we completed a R56m public roads infrastructure investment programme in Woodmead to improve the M1 Highway Woodmead interchange and the nearby Woodmead Drive and Woodlands Drive intersection. This project was vital to ensure that our assets in the area remain accessible to clients, and it is an excellent example of our commitment to ensuring that their requirements are met. The Gauteng provincial government, which is actually responsible for these roads, simply had no funds for the project.

Transformation is a crucial consideration for Growthpoint and we continue to drive transformation towards our key B-BBEE targets. Processes are embedded in the DNA of the organisation, meaning that everyone at Growthpoint is working towards these shared objectives and that we measure our progress.

As a responsible corporate citizen committed to genuine transformation in South Africa, we are now a level 1 contributor which is an incredible achievement for a company the size of Growthpoint. However, maintaining this level may be challenging, given the limitations on conducting training and other activities under Covid-19 restrictions. Furthermore, raising capital to reinforce our balance sheet in FY21 has diluted our BEE shareholding. In other areas, including the composition of our Board and senior management, we are making progress by appointing and promoting more people from designated groups.

While our rating will come under pressure in the short term, given the continuously changing Property Sector Charter rules and the challenges mentioned, we remain committed to transformation.

Growthpoint is committed to improving the quality of education in the country and has therefore funded the training of early childhood centre practitioners for the past five financial years. We have longstanding partnerships providing educational scholarships, bursaries in association with SAPOA and more recently a teacher maths and science development programme. We have a well-developed graduate programme with 12 graduates in the 2021 programme. Our flagship project, Growsmart which has run for several years has released more than 100 online tutorials. Our youth development programme, Growthpoint GEMS, established several interventions to assist with the migration to online learning and establish an ecosystem of support during the Covid-19 pandemic.

ESG considerations have taken on even more significance this year, with Growthpoint now having a Board-approved ESG strategy with set objectives. We have made great progress in some areas but need to catch up in others. It is essential that we improve in this area, from our Board into every part of our business, especially as we are operating in an environment of deteriorating ethics outside the company. We took our first tentative steps in this area two years ago by carrying out an ethics survey, the results of which prompted us to take a more scientific approach to monitoring and measuring ethics for our business. To make sure our response is relevant in a changing context, we also conducted a new survey in August 2021 and are awaiting the results. Our new MRI operating system has meanwhile strengthened governance in the organisation. Delegation of authority, for instance, is institutionalised into the system's processes.

The South African REIT sector is known for its proactivity in embracing and adhering to best practices. Via our association with SA REIT, we are pleased to be part of exploring the development of best-practice recommendations for ESG reporting among REITs.

Social need in South Africa has increased exponentially. We were nimble enough to adjust to the pressures that came with Covid-19 and continued with all our social initiatives in FY21, building on them where appropriate. We are an organisation with a heart.

The positive impacts that our Property Point enterprise development initiative stands to have on the sector have been recognised by other industry players, who have now partnered with the programme.

Lawless vigilante groups that have tried to hijack construction sites have impeded the industry's property development endeavours. Therefore Growthpoint, together with our contractors, has worked on a process where, before development proceeds, we go into communities to find local suppliers and bring them into the project. This has weakened the ability of these vigilante groups to disrupt our developments.

It was disappointing and saddening to see lawlessness being given free rein for days during the KwaZulu-Natal and Gauteng unrest which began on 9 July 2021, shortly after year end. We were left without the support of law enforcement authorities and had to rely on the tireless efforts from our staff, security providers and communities to deter looters and assist clients. Our community involvement has always been high and the strong connection these communities have with our shopping centres became apparent as they intervened to protect them. Their efforts resulted in significantly less damage to our properties. We managed to get all our properties operational within a week of the unrest but several of our tenants have still to re-open their operations. The financial impact of the unrest will be limited as most of the damage and business interruption was covered by relevant insurance.

Future focus

An improvement in the South African economy is key for our strong future performance. The only effective driver for this is an aggressive roll out of vaccines so that the economically active population can resume more normal habits.

Assuming this can happen, there will likely be improvements for Growthpoint in all three of our property sectors, albeit at varying rates. The big question is around the level of improvement that will come from the office sector. While we still believe that offices are crucial for big corporates, we are also aware that we may have to repurpose some of our offices to ensure greater flexibility for post-Covid-19 work habits.

However, we intend to remain conservative in our new development activity, both for our balance sheet and third-party clients.

Our priorities will still be driving stakeholder value, optimising occupancies and retaining tenants. It is also going to be interesting to tackle the challenges of the office sector by better understanding the needs of our clients' businesses and innovating and improving to accommodate these.

The growth of our funds management business promises to be exciting. Further improvement at the V&A is also likely to the extent that tourism improves.

The socio-economic environment in South Africa is worrying, however, we are optimistic that things will keep improving and hopeful that the civil unrest in July was our darkest hour and that we can move forward from it. Realistically though, the road to recovery is not going to be an easy one, especially as many young professionals are choosing to leave South Africa for better opportunities elsewhere. However, these are all factors that are outside of our control. We continue to improve all the touchpoints with clients and communities in the areas that are within our control, and will strategically focus on these factors to continuously improve Growthpoint's position within the capricious South African environment.

Fundamentally, we expect to see improvement in the medium term, but this is dependent on factors in the macro-environment as well as the fact that the real estate sector lags the economy and thus is slower to follow economic upturns.

Corporate marketing and communication

Growthpoint Properties is an established brand, and our leading position in the property industry ensures that we attract and retain clients while also maintaining loyal relationships with our stakeholders.

Our corporate marketing and communications team, which handles events, design, content and digital marketing as well as brand and project management, is responsible for establishing and increasing positive engagement with the Growthpoint brand.

Marketing's objectives are aligned with our overall business strategy. As we continued to operate under the challenging conditions brought on by the pandemic and various levels of a national lockdown, we kept up-to-date in FY21 with the shifts in audience behaviour and preferences regarding their media consumption.

CEO: RSA review *continued*

ESG position statement for Growthpoint

With integrity, ethics and our values guiding our governance, we provide space to thrive in environmentally sustainable buildings, while improving the social and material wellbeing of individuals and communities.

ESG strategy

Value proposition

- Corporate responsibility
- Future proof assets and tenant benefit
- Value beyond compliance
- Investor requirements
- Legal compliance
- Risk management

ESG

Environmental

All buildings within direct control of the organisation to operate at net zero carbon by 2030 and all buildings by 2050.

Social

Labour

Endeavour to create a positive work experience for each of our employees while protecting the interests of the organisation and ensuring that it meets its objectives.

Community

Driving sustainable impact for the communities in which we operate. Our core-focus areas have been supporting education initiatives, entrepreneurship development and staff engagement.

Governance

To give all stakeholders confidence that Growthpoint is a well-governed and well-conducted business.

Growthpoint UN SDG focus

A CSR objective

A CSR objective

A sustainability strategy of 20:20:20:2

Property Point

CSR, Property Point and GBCSA

Various associations memberships and participation such as SA REIT, SAPOA and NBI

What and how

Environmental

- 20:20:20:2 targets
- Energy efficiency and green building certification
- Renewable energy investment
- Water efficiency
- Audit on waste service providers
- Waste: Zero organic waste to landfill
- Good indoor environmental quality
- Biodiversity: a focus in the next two years
- Green building guidelines for Growthpoint and property sector.

Social

- Employee health and safety
- Employment equity targets for the next three years
- Living wage review
- Review of benefits for contractors vs full-time employees
- Diversity and inclusion committee
- Review of staff fit for the corporate strategy
- Focus on succession planning
- Meeting B-BBEE requirements
- Policy review and development
- Business partners to engage at least 60% of their designated employees to establish a trend analysis
- Conducting employee engagement surveys
- Accentuated wellness report to drive strategy EAP offering
- Revised wellness offering especially emotional wellness
- Prioritise mental wellness and enable managers to manage issues leading to deeper understanding of these issues
- Employee training and development.

Education

Inclusion of technology in projects and proposals.

Early childhood development

- Training early childhood caregivers and practitioners.

Primary

- GEMS – Providing financial support for educating the children of low income earning staff at Growthpoint
- Growsmart – Maths and literacy programme for schools in underprivileged areas
- Introducing virtual access to the programme.

Tertiary

- Bursaries
- GEMS.

Skills development

- Graduate programme
- External learnerships (disability and work readiness focus).

Enterprise and supplier development

- Property Point enterprise and supplier development programmes
- Collaboration within the property industry
- To the Point sessions
- Local economic development.

Pertinent societal issues

- Staff engagement projects
- Gender-based violence
- Assisting vulnerable groups
- Urgent disaster relief challenges.

Governance

- Integrated thinking approach to governance
- Compliance with King IV
- JSE Listings Requirements
- Annual review of the Board charter and each committee's terms of reference
- Disclose Board responsibilities and accountability
- Annual Board independence assessment
- Appropriate skills and experience on the Board
- Board rejuvenation
- Limited number of boards the non-executives can serve on
- Optimal meeting attendance
- Updated social and ethics committee terms of reference now include ESG
- Increased focus on cyber and information security
- Review of structure and skills to implement strategy
- Succession plan in line with updated structure
- Development of a clear ethics-framework and policy
- Develop and update ethics related policies
- Create awareness throughout Growthpoint
- Regular review and development of policies.

Impact

- Reduced GHG emissions
- Utility efficiencies
- Cost savings
- Asset future proofing
- Tenant lower cost of rental
- Reduced impact on natural resources.

- Benefits of continual staff learning
- Business sustainability
- Employer of preference
- Employee wellbeing
- A safe work environment for employees
- Minimise health and injury-related risk within the workplace
- Talent management
- Meet employment equity objectives
- Conducive working environment
- Provides assurance to stakeholders that there are clear processes and procedures to guide and address issues.

- Supporting parents so they can support their children during online learning
- Address inequality and inequity
- Development of sustainable small businesses
- Diversifying our supply chain
- Stimulating job creation
- Address skills shortage
- Provides a safe place for vulnerable groups to seek help from domestic abuse
- Provided water and food parcels during Covid-19 and domestic riots alleviating hunger.

- Provide assurance to stakeholders that Growthpoint is a responsible company with sound leadership
- Adhering to regulatory compliance.

Growthpoint has achieved a B-BBEE level 1 rating. We are currently anticipating changes to the property sector charter and, as a result, will be doing a transformation strategy refresh at that point in time.

Objectives	Target set	Timeline targets	FY21	FY20	FY19	FY18
Ownership						
B-BBEE ownership	• Broad-based black economic empowerment (B-BBEE) deal with 10% of Growthpoint shares	June 2018	No B-BBEE deals have been concluded at this stage. We have increased ownership with 50.31% black exercisable voting rights in the hands of black people and 27.94% economic interest of black people in Growthpoint	No B-BBEE deals have been concluded at this stage. We have a slight decline in ownership with 29.02% voting rights in the hands of black people and 17.53% economic interests of black people in Growthpoint	No B-BBEE deals have been concluded at this stage. We have, however, achieved 33.84% voting rights in the hands of black people and 21.06% economic interests of black people in Growthpoint	Growthpoint is exploring opportunities to set up a broad-based structure which can include a staff scheme, current corporate social investment (CSI) initiatives and strategic partners
Structure net equity value	• Realise a minimum of 40% of the annual targets	June 2020	27.94%	19.36%	20.59%	18.41%
Disposal of assets to black-owned entities	• 35% disposal to: – 50% black-owned entities over a five-year period – A minimum of 20% of the 35% must be achieved in each year	June 2018	10.56% through the sale of the old Exxaro building to a 100% black-owned entity	Not achieved during the period. There has been no disposal to >50% black-owned entities	Not achieved during the period. There has been no disposal to >50% black-owned entities	11% disposals to >50% black-owned entities

Objectives	Target set	Timeline targets	FY21	FY20	FY19	FY18
Management control						
Diversify the Growthpoint Properties Board	• 40% black Board members • At least 25% black female appointees	June 2019	Achieved 46.15% black Board members 23.08% black female Board members	Achieved 42.86% black Board members 14.28% black female Board members	45% black Board members 21% black female Board members	43% black Board members 21% black female Board appointees
Diversify Executive Directors	• 25% black Executive Directors	June 2019	Achieved 25% black Executive Directors	Achieved 25% black Executive Directors	Achieved 25% black Executive Directors	Achieved 25% black Executive Directors
Diversify executive management	• 27% black executive management with at least 50% being black female	June 2019	Achieved 21.43% black executive management 10% black female executives	Achieved 25% black executive management 10% black female executives	25% black executive management 10% black female executives	20% black executive management 10% being black female executive management

Objectives	Target set	Timeline targets	FY21	FY20	FY19	FY18
Employment equity						
Diversify senior management	• Increase black senior management from 15% to 28%	June 2020	20%	35%	34%	32%
Diversify middle management	• Increase black middle management from 32% to 45%	June 2020	77%	67%	67%	67%
Diversify junior management	• Increase black junior management from 69% to 77%	June 2020	80%	91%	90%	86%

Objectives	Target set	Timeline targets	FY21	FY20	FY19	FY18
Skills development						
Alignment of skills programmes with business needs	• 80% of training offerings within category B, C, D of the skills matrix	June 2018	Achieved 49% of training on B, C, D category	Achieved 47% of training on B, C, D category	Achieved	A training committee has been established to align our skills development programmes to our business needs
Training plan aligned to succession plan	• 5% of leviable amount spent on black people (targets based on employee assistance programme (EAP) stats) • 40% minimum to be achieved	June 2018	Achieved 3.04%	Achieved 3.08%	Achieved	Achieved
Implement a disability learnership programme	• 0.3% of leviable amount is spent on disabled people • A minimum of 40% must be achieved	June 2018	Achieved 0.34%	Achieved 0.51%	Achieved	Disability learnership implemented with Sparrow FET College

CEO: RSA review *continued*

Objectives	Target set	Timeline targets	FY21	FY20	FY19	FY18
Preferential procurement						
Segmentation of procurement spend	• 40% procurement spent with companies who are at least 51% black-owned	Ongoing	46.37%	37.82%	22.61%	25%
	• 100% of all suppliers must be B-BBEE rated with 80% of suppliers on a minimum of a level 4	Ongoing	88% with 58% of suppliers on a minimum of level 4	66.75% with 45.38% of suppliers on a minimum of level 4 B-BBEE rating	48.47%	96%
	• 12% procurement spend on companies who are at least 30% black women-owned	Ongoing	32.86%	11.93%	10.34%	9.7%
Continued support and funding of Property Point	• 1% net profit after tax (NPAT) towards enterprise development	Ongoing	2.28%	1.89%	5.62%	1.8%
	• 2% NPAT towards supplier development	Ongoing	3.79%	3.79%	11.5%	3.3%

Objectives	Target set	Timeline targets	FY21	FY20	FY19	FY18
Socio-economic development						
Annual value of all SED contributions of Growthpoint	• 1% NPAT towards beneficiaries that are black*	Ongoing	1.24%	4.69%	9.63%	3.3%

* *Black refers to African, Coloured and Indian.*

RSA executive management forum

CEO: RSA
Estienne de Klerk* (52)
BCom (Industrial Psych),
BCom (Hons) (Marketing),
BCom (Hons) (Acc), CA(SA)
Twenty-two years' experience
in listed property

HR Director
Olive Chauke* (50)
Bachelor of Social Sciences, Advanced
Programme in Management from
Henley Business School
Twenty-four years' HR
experience gained in both
private and public companies

COO: RSA
Engelbert Binedell (51)
BA (Ed), MBL
Twenty-four years' experience
in listed property

Head of Asset
Management: Office
Paul Kollenberg (59)
BCom Architecture, MBA (Wits)

Marketing
Nadine Briers (50)
Thirty years' marketing and
communication experience

CFO: RSA
**Francois
Schindehütte (56)**
BCompt (Hons)
CA(SA)

Head of Asset
Management: Retail
Neil Schloss (50)
BSc Town and Regional
Planning (Wits)

Healthcare Fund Manager
Linda Sigaba (44)
MD (USA), PGD MP (UCT)
MBA (UCT)

Regional Head: Cape
David Stoll (62)
CA(SA)

Head of Asset
Management: Industrial
Errol Taylor (60)
National Diploma
Building Surveying
National Diploma
Property Development
and Management

Corporate Social Responsibility
Shawn Theunissen (42)
BCom (Industrial Psychology),
University of Johannesburg,
SA Masters Programme in
People Centric Innovation,
180° Academy, Denmark
Senior Executive Programme
Africa, Harvard Business School

Regional Head: KZN
Greg Worst (48)
BCompt (Unisa)
Bachelor of Accounting
Science

* *Executive Director.*

Operations

It was an unprecedented year for Growthpoint, the property sector, and the country at large, and operating in this new environment did not come without its challenges. We are therefore incredibly proud of our employees who continued to live our values during this time.

For many businesses, the Covid-19 pandemic was simply the last straw, and for a time, the virus brought our already ailing economy to a halt. For us, this meant an increase in vacancies and arrears and a decline in lease renewals, particularly in the retail and office sectors. Industrial properties were less affected. FY21 was a challenging year for our clients, and maintaining close relationships was pivotal during this period. We continued to be proactive in making regular contact and easing pressure where we could.

There is no property management system or software programme available that can handle the nuances of each tenant's unique requirements, as we discovered when we engaged with tenants regarding Covid-19 discounts and deferrals. However, our staff stepped in and did an outstanding job of accomplishing what our regular systems and processes could not, from managing individual client relationships to agreeing to new terms, passing on discounts and adjusting rentals.

Many of our employees continued to work from home through the various levels of lockdown in FY21, and thanks to the efforts of our IT department, they were well equipped to do so. There were also many staff members who continued to operate at the coalface, and our retail teams excelled in implementing Covid-19 protocols while working tirelessly to keep the communities they serve safe.

Facilities management also continued to play an essential role across all Growthpoint sites. Last year, at the start of the pandemic, the facilities management team implemented a standard operating procedure (SOP) and the protocols to be followed by staff members, tenants, contractors and all visitors to our properties. In FY21, they continued to monitor and update these with changing regulations to ensure safe and healthy workspaces for all.

Our operations are guided by our health and safety policy, and to ensure that safety and compliance requirements are met, we have a number of initiatives in place. These include staff awareness of health and safety measures and operational staff training. Contractors are assessed regularly to ensure adherence to the necessary occupational health and safety regulatory and legislative requirements.

Our business operations are supported by a highly effective legal team. With the Protection of Personal Information Act (POPIA) coming into full effect on 1 July 2021, this team has been instrumental in the preparations for ensuring the business is compliant and staff members are well informed.

Although lockdown regulations in effect during the year hampered their ability to provide some services, we continued to pay our suppliers. Requests for proposals (RFPs) were sent out for security and cleaning contracts, and our procurement team worked quickly to contract these services at predetermined rates for a period of time. The team also procured essential items on behalf of our staff and handled the logistics around remote delivery.

Despite the pandemic, the launch of our new MRI IT system went ahead as planned on 1 July 2020, and the business adapted well to the move. There were teething issues of course, but we continued to work together to resolve these while providing regular updates on changes and training. Our credit controllers, in particular, had to navigate some unfamiliar territory, but took these challenges in their stride.

Our IT department continued to support the business well in FY21, including those staff working from home while getting the company ready to implement POPIA. We also developed new IT policies and procedures with new SOPs in place. Cybersecurity remains a key focus.

Sustainability is becoming a hot topic globally, and we want to remain a leader in that space. Green buildings are also very relevant to our client base, and we are working tirelessly to provide the market with properties that satisfy this need. In addition, changes in government regulations have allowed us to accelerate solar production, taking us one step closer to our Net Zero 2050 strategy.

Utilities remain a highly complex area of the business. Ensuring the accuracy of billing, minimising usage, and working with the different local municipalities are key focus areas. Our team has good relationships with the municipalities and has successfully chipped away at resolving our queries while enhancing our capabilities with technology for early detection and governance.

In everything we do, flexibility and client centricity are vital in meeting our clients' needs. We have balanced the sustainability of their businesses alongside our own, and where we have succeeded, we have been able to solidify these relationships and retain tenancies.

The broking community also plays a vital role in our business, however, the lockdown severely impacted the ability of brokers to work and it was essential for us to maintain regular contact with them to support their efforts and maintain our reputation as a responsive business partner. Unfortunately, our Operation Destination Russia trip has been postponed to 2022 due to travel restrictions, but we are looking forward to socialising with the 2020/21 winning brokers on a local trip later this year.

Our people are the engine room of our business, and they continued to live our values in FY21, despite the additional workload. Similarly, we continued to prioritise their wellbeing throughout the year with various programmes and workshops. Our Employee Assistance Programme proved well-placed to provide the necessary support, particularly during a time when mental health was affected.

The ability to engage with colleagues socially and collaborate in person plays a vital role in the creativity and motivation of our people and our clients. As a result, workspaces continue to be a valuable tool for successful businesses, and we are confident that more people will return to their offices once it is safe to do so.

Despite the difficulties we faced over the past year, there are green shoots for the commercial real estate industry. In particular, the industrial sector is showing some promise, and there is a demand for this type of property. The events of the past 18 months were unprecedented, and we did not have the luxury of looking to the history books for guidance on how to move forward. We had to learn on the go, but the knowledge we gained and the relationships we forged as a result will, we believe, only serve to improve our business and operations in years to come.

Environmental

The financial year 2021 has been a year for reviewing and planning our efforts to reduce our environmental footprint and impact. The refinement of our environmental approach as part of the ESG strategy fullfilled our commitment to review these issues. We believe its integration into the business ensures that what we do at our properties is embedded better. Our carbon-neutral strategy is being rolled out and applied throughout all levels of the business, and there are high expectations for implementation going forward. We will strive to meet these objectives.

An extensive climate risk assessment was completed for the business. This is a complex subject. The findings have proven to be fundamental in refining our carbon strategy. Although we had decided to base this strategy on Science Based Targets initiative (SBTi) methodology, we will be withdrawing our formal commitment to the SBTi as it is proving to be onerous and inflexible for our specific business needs. We believe our approach and the annual tracking of our progress will provide our stakeholders with a sense of comfort of our progress. Furthermore, our GHG emissions are verified by a third party and will thus provide additional assurance of our process.

GHG emissions for 1 July 2020 to 30 June 2021

Source	**FY21 total metric tCO_2e**	FY20 total metric tCO_2e
Scope 1	**2 112**	3 869
Mobile fuels (company cars)	**30**	19
Stationary fuels (generators)	**1 255***	869
Product use: refrigerant gas (Kyoto Protocol)	**827****	2 981
Scope 2	**76 546**	42 708
Purchased electricity (location based)	**76 546*****	42 708
Scope 1 and 2 total	**78 658**	46 577
Scope 3	**592 278**	653 579
Category 1 – Purchased goods and services: water	**2 763**	3 079
Category 1 – Purchased goods and services: paper	**13**	43
Category 4 – Upstream transportation and distribution: courier	**6**	10
Category 5 – Waste generated in operations	**7 144**	7 987
Category 6 – Business travel	**118**	742
Category 7 – Employee commuting	**627**	1 033
Category 13 – Downstream leased assets: purchased electricity	**581 608**	640 685
Total Scope 1, 2 and 3	**670 937**	700 156
Out of scope – non-Kyoto refrigerants (R-22)	**1 611**	1 869

* *Increase due to better data availability.*
** *Less refrigerant gas was used in FY21.*
*** *For FY21 all common area electricity was moved from scope 3 to scope 2.*

Operations *continued*

Our environmental policy was updated in line with these efforts and guides our actions on the critical issues of climate change, carbon emissions, biodiversity and energy, water, waste and renewable energy investment.

There is a clear link between the environment, society and the economy. The negative impact of Covid-19 on our ability to deliver on our objectives has revealed how these elements are intertwined.

Procurement

Growthpoint values the role that suppliers and other stakeholders play in our ability to provide "space to thrive". Continuous engagement with our stakeholders is vital in ensuring that our standards are maintained while meeting our clients' expectations.

Collaboration with our internal and external stakeholders has resulted in several positive outcomes, including risk mitigation, costs efficiencies, elevated service delivery and enhanced commitment. Additionally, establishing national contracts and engaging directly with supply manufacturers has maximised our countrywide spending power.

We continue to focus on cost efficiencies, RFPs, supplier negotiations and measuring supplier development.

Due to the Covid-19 pandemic, we extended contracts for an additional year before opening them up for RFPs. This extension guaranteed another year of work for our suppliers, many of whom also faced a challenging year, and our commitment to them not only strengthened relationships but also helped to streamline negotiations on annual cost increases.

Growthpoint's policies came into sharp focus during FY21, and our procurement policy was updated. We also worked with other departments to develop a Local Economic Development and Transformation Policy, which outlines the principles and procedures for engaging with businesses in local communities where we operate. The purpose of this policy is to accelerate the empowerment of companies owned by previously disadvantaged individuals operating in communities near our assets and developments, and to foster community partnerships to maintain our reputation in local communities. The document aligns with the King Code IV principles of good corporate governance.

We work closely with Property Point to establish good relationships with community leaders and forums and recommend suppliers that are procurement ready. We also assist managers and together help these suppliers perform at acceptable levels. Contracts are often extended because of these efforts. We have seen this in the case of security and pest control offerings. Our process of issuing a national small works RFP is underway, and we hope this will be sourced in the same way.

Growthpoint's B-BBEE efforts continue, and we aim to engage with organisations with a minimum of a level 4 B-BBEE rating. There has been additional engagement with various departments to understand all the dynamics that require consideration. Particular attention has been placed on the practice of fronting and how to identify it. We have communicated extensively to internal and external stakeholders that any supplier guilty of fronting will face contract termination.

Information Technology (IT)

Our IT service supports the South African sectors of the business across all geographic regions by providing information technology services and support. We have robust governance frameworks and policies guiding our IT activities and processes. Our policies and governance are managed within the IT (COBIT) good practice framework. More detail on our policies can be found in the Policies and Documents section of our ESG report.

In FY21, Growthpoint continued to play a pivotal role in our employees' ability to work from remote locations with the appropriate security.

We consider cybersecurity to be the primary risk for IT. This is a huge challenge that requires a combination of disciplines and commitment as well as personal and financial resources. The landscape is ever-changing, and this further complicates the task. We believe in doing the basics correctly, and this includes monitoring and being proactive. Our environment is scanned regularly, and we act timeously on the outcomes of these scans. Regular patching occurs while updating and new fixes are continuously installed across our environment. Measuring and monitoring happen constantly, and findings are regularly reported to the relevant committees.

We have access to both intelligence through relevant partnerships, and implementable solutions for our environment. There are various levels of protection with clear steps on how to deal with breaches. Awareness training programmes allow staff to become more familiar with cybercrime and teach them how to protect both the company and themselves from various threats.

A material consideration for IT is having access to underlying data and making this available and relevant to Growthpoint. Using data analytics and business intelligence to extract information from the data enables us to make meaningful decisions. Data must therefore be securely available to the business to provide consistent information.

Consistent business logic also needs to be built into the data across all the sectors. This can be challenging because of how the data is stored in different environments and because we sometimes do not have access to the raw, underlying data. A new IT challenge is working with a global business partner that currently does not give us access to its server in the "cloud". We are, however, working to find a solution. The situation is complex due to various security considerations, and we have found ourselves pioneering an approach that could become a standard. We are also looking at new types of replication and virtual networks.

In the year under review, we focused on embedding the MRI system, although there were many hurdles in implementing a new design and business process in an organisation such as Growthpoint. However, it is now well-embedded, and the business process is well-established. We are starting to see the benefits of MRI as a real-time online system, and this will aid us in achieving consistent business logic.

When procuring IT systems and equipment, Growthpoint likes to buy "tier 1" products with strong reputations, build consistency and good support. Better quality equipment has served us well over extended periods, and we are also careful to buy appropriate infrastructure that is well-suited to the business.

Growthpoint keeps up to date on new technology to assess whether we may want to adopt it. In FY21, we also decommissioned our Sandton data centre and moved to a hosted data centre that provides the appropriate energy efficiencies and power supply protection, cooling and fire protection. This move offers greater efficiencies and cost savings compared to maintaining our own data centre. We are not using the data centre to its full capacity and this is a big drive going forward, although we have to be very careful in moving our data to ensure it is safe, secure and replicable.

Legal

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

In FY21 the department played an active role in ensuring that the company would be fully compliant with POPIA when it came into effect on 1 July 2021. A compliance framework was developed, an impact assessment was done, a manual was compiled and staff members were trained. In addition, data processing agreements were concluded with all third-party suppliers that process information for which we are responsible, and our standard contracts were amended to include the requisite consent to process personal information clauses.

We are actively involved in discussions with the Competition Commission, together with SAPOA and SA REIT, regarding an agreed code of conduct which the Competition Commission has requested be concluded by retail landlords.

The team also continues to assist the business with the structuring and implementation of trading and development deals; the drafting and implementation of acquisition and disposal transactions; negotiations with potential tenants to ensure the legal terms of the transaction are suitably agreed and recorded; reviewing and drafting various service level agreements (SLAs), including our CSR transactions; and managing legal disputes with local authorities.

Facilities management

Facilities management is responsible for fostering a culture of collaboration that enhances the performance of our assets. The department achieves this by delivering maintenance solutions, value-added client experiences and quality facilities for the whole lifecycle of each asset, guided by best practice and legislation. By tracking and managing the capital and operational budgets, the team continued in FY21 to keep the physical assets safe and functional within the prescribed budgets. It also focused on driving down costs without compromising service levels.

Operations *continued*

In response to the Covid-19 pandemic, Growthpoint compiled an SOP that detailed the required protocols for staff members, tenants, contractors and visitors to our sites.

The facilities management team also concentrated on managing and implementing the ongoing changes to the regulations and directives from the World Health Organisation (WHO) to create a safe and healthy workplace for staff, service providers and our clients.

New technology continues to change the built environment and our team also made great strides in this regard, in line with the company's goals.

We drive a professional client and customer-service culture throughout the business, and extract maximum value from our assets through optimum pricing models. This is achieved by ensuring that the appropriate technical organisations and professionals are appointed to improve customer service and asset performance.

Growthpoint undertook and completed a successful project to future-proof our buildings against further water shortages in South Africa. We installed additional storage tanks, introduced water-saving initiatives, and provided buildings with treated water to potable standards for non-potable use and sanitary flushing purposes. We have also applied for a water user licence (WULA) to secure water stability and register and license all boreholes in the portfolio.

Due to disruptions in electrical supply and specifically load shedding, Growthpoint established an integrated process to support and ensure the continuity of power to our clients by securing bulk diesel storage facilities and introducing a dedicated diesel replenishment team. This was expanded by contracting a third-party supplier to improve the bulk storage and assist with diesel deliveries across the country.

We undertook multiple roofing replacement projects, many in support of PV panel installations. In addition, there was a continuous drive to ensure Automatic Sprinkler Insurance Bureau (ASIB) compliance throughout the Growthpoint portfolio.

Articulating our strong emphasis on safety and compliance, we initiated several measures to improve our risk information management system (RIMS) and raised awareness about safety among our employees and service providers.

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

Health and safety

Growthpoint undertakes all its activities in accordance with our Health and Safety Policy, which aligns with the Occupational Health and Safety Act (OHSA) No 85 of 1993. This policy is for the health and safety of employees at work.

Additionally, quarterly Occupational Health and Safety Forum meetings are held and minuted, providing feedback to the SET Committee.

Growthpoint makes use of risk assessment companies, particularly for development projects, to ensure that all contractors adhere to the necessary occupational health and safety regulatory and legislative requirements. We comply with all safety and compliance requirements and consistently have initiatives to drive staff awareness of health and safety measures, as well as operational staff training. During the financial year under review, no fines were imposed.

We engage with a system called "Worktrainer" that requires quarterly reporting and reviews of documentation pertinent to the management of our buildings. It is used as a key performance indicator (KPI) for operational staff. In addition, user engagement is tracked and managed to ensure all necessary data is updated. This method ensures that we meet the criteria specified in our RIMS process for building inspections and regulations.

Other avenues used to facilitate health and safety include vendor vetting management. The system provides KPIs for contractors, which are assessed quarterly. Any issues are discussed with the vendor to ensure swift resolution of any concerns. The continuous fostering of relationships between tenants and operational staff is vital to ensure good communication and compliance with building regulations.

All contracted suppliers sign SLAs and are obliged to adhere to these agreements or risk termination of their services after a consultative process. As per the mandatory signing of a Section 37 (2) agreement, vendors are liable for all health and safety on their contracted projects. Quarterly meetings are held with contractual service providers, with monthly meetings held for larger contracts. Any concerns are addressed at these meetings.

Health and Safety is a key objective for ESG compliance and is assessed in the RFP process before allocating contracts to vendors. If the minimum standards are not met, the company is considered risky, and we will not engage with that supplier.

A dedicated Risk Officer ensures compliance with building and fire regulations and the OHSA by performing independent building inspections and liaising with tenants when conducting building inspections, as well as facilities and property management personnel and insurers. Growthpoint's insurers undertake inspections of some buildings each year to ensure that the insured cover corresponds with the insurable risk underwritten.

144 Oxford Road, Rosebank, South Africa

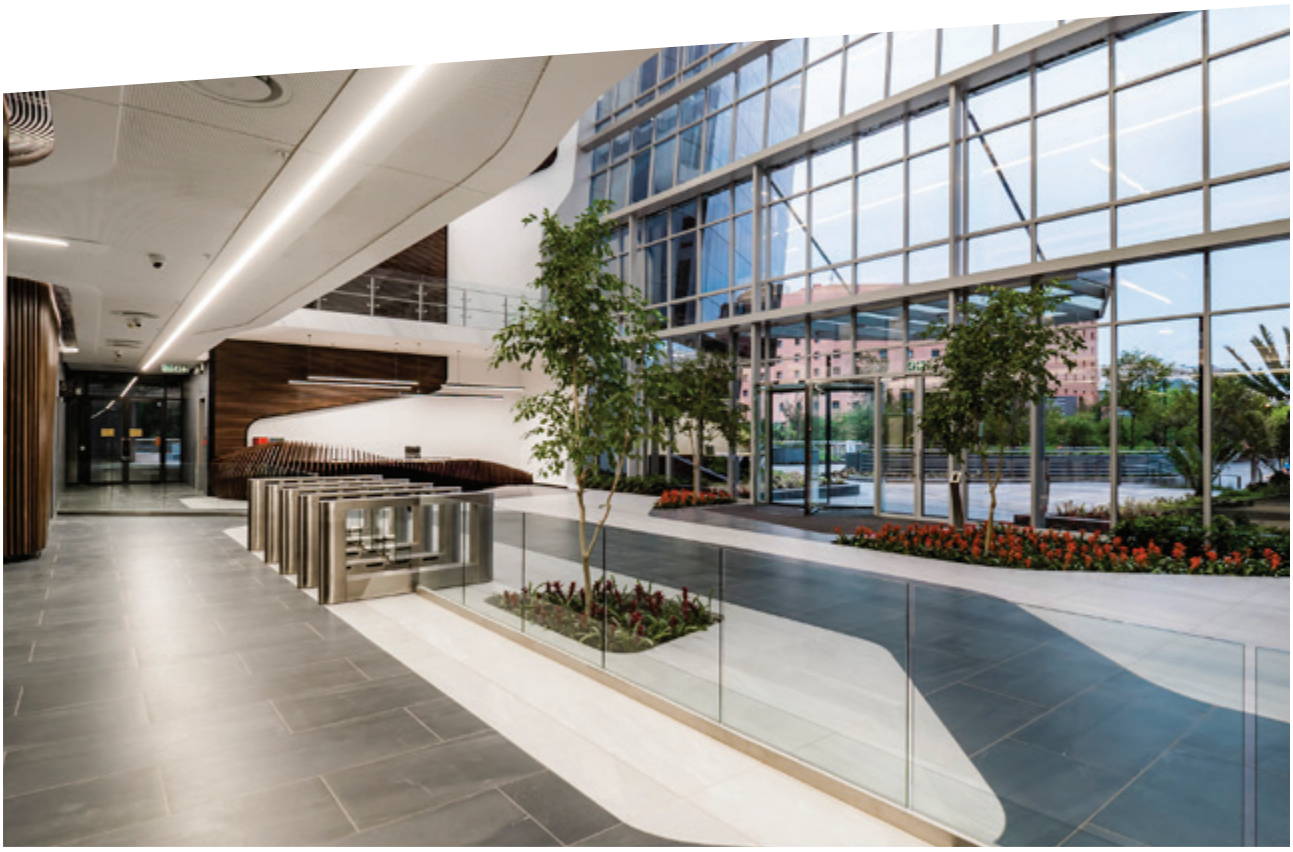
Asset management

Overview of RSA property portfolio

	Retail		Office		Industrial	
	2021	2020	**2021**	2020	**2021**	2020
Asset value (Rm)	**24 915**	26 759	**27 672**	29 793	**12 373**	13 307
Number of properties	**46**	47	**166**	168	**208**	215
Gross lettable area (GLA)(m^2)	**1 356 981**	1 365 391	**1 708 285**	1 672 090	**2 262 728**	2 308 913
GLA as a % of RSA portfolio	**24.8**	24.9	**31.2**	30.4	**41.4**	42.0
Value per m^2 (excluding bulk) (R)	**18 254.0**	19 479	**15 721.0**	17 201	**5 165.0**	5 475
Capital expenditure (Rm)	**180.0**	393.6	**512.0**	706.7	**144.0**	380.2
Gross property revenue (Rm)	**3 116.0**	3 108	**3 193.0**	3 342	**1 550.0**	1 515
Property expenses (Rm)	**(923.0)**	(994.0)	**(892.0)**	(965.0)	**(389.0)**	(401.0)
Property expense ratio (%)	**29.6**	32.0	**27.9**	28.9	**25.1**	26.5
Net property income (Rm)	**2 193.0**	2 114	**2 301.0**	2 377	**1 161.0**	1 114
Net property income as a % of RSA portfolio	**36.0**	36.1	**37.7**	40.6	**19.0**	19.0
Vacancies (%)	**6.2**	5.1	**19.9**	15.4	**9.4**	7.1
Arrears (Rm)	**148.2**	207.6	**91.4**	161.2	**59.0**	116.3
Bad debt (I/S) (Rm)	**22.9**	96.0	**(14.0)**	88.0	**25.9**	64.0
Average gross rental (per m^2/month)	**203.1**	204.0	**166.2**	163.0	**60.4**	58.0
Average annualised yield (%)	**8.9**	8.5	**7.9**	8.4	**9.9**	9.4
Average in-force escalations (%)	**6.4**	6.8	**7.4**	7.7	**8.1**	8.1
Weighted average renewal lease period (years)	**3.8**	4.0	**4.4**	3.8	**3.0**	3.5
Weighted average lease period (years)	**3.0**	3.0	**3.7**	3.7	**3.2**	3.5
Renewal success rate (%)	**84.6**	78.8	**52.5**	51.5	**62.2**	69.4
Weighted average renewal growth (%)	**(15.6)**	(6.2)	**(16.1)**	(8.9)	**(10.9)**	(4.7)
Weighted average future escalations on renewals (%)	**6.3**	6.3	**7.3**	7.6	**7.4**	7.5
Number of employees						

29 Richfont, Umhlanga, South Africa

Healthcare		Trading and development		Total		V&A	
2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
2 802	2 645	**1 064**	900	**68 826**	73 404	**8 801**	9 447
6	5	**6**	5	**432**	440	**1**	1
89 637	77 219	**55 403**	70 200	**5 473 034**	5 493 733	**232 531**	227 415
1.6	1.4	**1.0**	1.3	**100**	100.0	**–**	–
30 648.0	33 512	**24 063**	12 821	**12 266.0**	12 871	**36 053.3**	39 568
2.0	56.2	**175.0**	444.7	**1 013.0**	1 981.4	**227.0**	251.7
289.0	263.0	**193.0**	41.0	**8 341.0**	8 269	**661.0**	920.0
(33.0)	(41.0)	**(5.0)**	(11.0)	**(2 242.0)**	(2 412)	**(259.0)**	(326.0)
11.4	15.6	**2.6**	26.8	**26.9**	29.2	**39.2**	35.4
256.0	222.0	**188.0**	30.0	**6 099.0**	5 857	**402.0**	594.0
4.2%	3.8	**3.1%**	0.5	**100**	100	**–**	–
–	–	**–**	46.8	**11.6**	9.5	**3.0**	1.5
5.1	25.1	**4.5**	0.8	**308.2**	511.0	**85.0**	120.5
(5.9)	6.0	**1.0**	–	**29.9**	254.0	**18.4**	67.4
295.0	296.0	**–**	–	**132.0**	130.0	**213.1**	190.0
9.1	9.6	**–**	–	**8.6**	8.6	**8.6**	8.5
7.6	7.9	**–**	–	**7.3**	7.5	**6.4**	7.5
–	5.0	**–**	–	**3.6**	3.7	**2.5**	5.0
7.6	7.3	**–**	–	**3.5**	3.5	**5.7**	5.8
–	100.0	**–**	–	**65.4**	66.4	**85.5**	85.3
–	5.3	**–**	–	**(14.9)**	(6.7)	**(5.2)**	7.6
–	8.0	**–**	–	**6.8**	7.0	**6.7**	7.5
				611	623	**209**	213



144 Oxford Road, Rosebank, South Africa

Retail: Our extensive and diverse portfolio of retail assets consists of quality, well-supported malls in major metropolitan areas.

These assets, which range in size from neighbourhood shopping centres to large regional malls, have a strong and positive impact on local economies and contribute to society through community outreach and the connections built between retailers and shoppers.

Job losses, lower consumer confidence and high debt-to disposable-income ratios have placed consumers under pressure and this has directly impacted the performance of various shopping centres.

Community centres have outpaced other retail centres in terms of trading density growth, but their overall foot count is still below pre-Covid-19 levels. Shoppers are spending less time in centres and their trips are more focused. This means that while basket size has increased in some instances, the frequency of their visits is less.

Economic pressures and consumers' reduced disposable incomes have driven greater demand for value, including affordable fashion and value-focused general dealers. Supermarkets, pharmaceutical and homeware retailers are recovering faster than others. Fast food outlets have also been able to recover significantly thanks to the growth of services like Mr D and Uber Eats. However, most of our tenants are still trading at below pre-Covid-19 levels.

Although online shopping makes up a relatively small percentage of turnover, we have undoubtedly seen an escalation of such purchasing. On-demand services like OneCart and Checkers Sixty60 have also contributed to overall sales.

Pressure mounted again at the beginning of 2021 following the increased restrictions that were introduced during the second wave of Covid-19 infections in December 2020 and when the third wave hit the country in June 2021, many tenants requested further relief.

Rental escalations have outpaced turnover growth for many years, as have administration costs recovered from tenants. This has led to an increase in retailers' occupation costs and affordability levels. We therefore continue to assist retailers in the restaurant, fast food, entertainment, travel, and personal care categories through discounts, deferrals, or restructuring leases to more sustainable rentals.

Performance

A big focus for FY21 was tenant retention, and while our renewal success rate is acceptable, it has come at a cost. In a highly competitive and challenging market that was clouded by uncertainty, renewals were concluded at a weighted average renewal growth of -15.6%.

We were able to fill several significant vacancies during the year under review, including one of 4 700m^2 at the City View shopping centre. This was one of three stores that Massmart gave notice on. A lease for this vacancy was concluded with Value Co and the new store is due to open in the spring.

Deals were also concluded with Value Co for the vacant Edgars stores at Longbeach Mall and Watercrest. In addition, more than 3 000m^2 of vacant space at the Waterfall Value Mart in Rustenburg was successfully let, as was the former Zara space at Walmer Park.

Retailers are trying to keep their operating costs down and are thus negotiating reduced rentals and escalations. Consequently, the weighted average rental renewal growth on expiry has continued to regress. In a few extreme cases, such rental restructuring has occurred mid-lease.

Arrears are higher than usual and Edcon's arrears have been written off. Ster-Kinekor and CNA, which are both in business rescue and each hold nine leases with us, are our most significant defaulters, and together account for 10.6% of total arrears. Their leases cover 21 020m^2 and 3 491m^2 of space respectively.

Vacancies have undoubtedly crept up, but if we assess our core assets and exclude the particularly stubborn vacancies at centres on our disposal list, it is evident that we are actually performing better than expected.

While the pandemic has undeniably shaped the past year, it has encouraged meaningful conversations between ourselves and our retailers. These conversations have given us essential insights into their businesses and helped us ensure sustainability for both parties.

Portfolio highlights

Six non-core shopping centres for a total of approximately R500m were considered for sale. Of these, Edgars Bloemfontein transferred in FY21. Edgars Bloemfontein was our only property in the Free State and this made it an outlier and inefficient to manage.

While there have been several opportunities for acquisitions, none aligned with our portfolio strategy. Therefore, no retail properties were acquired in FY21.

To protect the value and appeal of our retail buildings and despite the challenging year, we have continued with regular maintenance to our shopping centres to ensure that they remain relevant and continue to appeal to our shoppers and tenants.

Covid-19

The Covid-19 pandemic has impacted the retail sector in many ways and our staff has been at the coal face for the past year. Unfortunately, this resulted in many of our retail employees testing positive for the virus and even the sad loss of one of our team members. Despite being under this immense strain, the team has gone the extra mile to ensure our shoppers' safety and the continued success of our centres.

The pandemic and subsequent lockdowns appear to have impacted large regional malls more than the smaller community centres. This is possibly because a trip to a large mall is often considered more of an outing than a convenient and quick stop for essential shopping. There are, however, a few centres located on the outskirts of some CBDs that have been able to buck this trend.

Smaller, independently owned retailers – particularly those in the luggage, personal care, formal wear, workwear, travel and restaurant categories – have been the hardest hit by the pandemic. However, we are seeing a growing trend of larger, listed retailers acquiring smaller independents.

Environmental and social

In addition, the knowledge we gained from our experience with the water shortages in the Western Cape has been shared with the rest of our portfolio. In order to reduce our reliance on municipal infrastructure and ensure our water security, boreholes have been drilled at most of our centres.

Although we have also been quite aggressive with solar installations, rollouts of some projects were paused in July 2020. Recent policy changes, such as the increased cap on the Megawatts that may be produced by private power plants, have made us reassess some of these projects. Due to the significant generating capabilities that shopping centres offer, we are also looking into battery installations that would allow us to store additional energy.

More than ever, our shopping centres remain integral to the communities they serve. We also understand that the effects of the pandemic reach far beyond our retailers. Our centres' marketing and social investment programmes have therefore been tailored and targeted to the current needs of their local communities.

From "Back to School" campaigns, to food drives and collections for senior citizens, our shopping centres have aligned their campaigns to complement local initiatives and programmes. We have also continued with collections for the retail support staff that have been most severely impacted by the pandemic, including cleaning staff, security guards and car guards.

Developments and refurbishments

Building	Location	Description	m² actual floor area affected – not centre's GLA	Completion date
Completed				
La Lucia	La Lucia, Durban	Refurbishment	1 138	September 2020
In progress				
Festival Mall	Kempton Park	Taxi holding facility and extension canopies	1 000	Awaiting municipal approval
Lakeside Mall	Benoni	Solar project	NA	September 2021

Retail: *continued*

It is crucial for us to maintain a connection with our shoppers, so how we do business is important. We constantly review the way in which we source our labour and supplies and have worked closely with Property Point to develop local enterprises and entrepreneurs in the various communities where we own shopping centres. A local community engagement policy has now been drafted for review to provide further guidance.

Outlook for FY22

The third wave of infections has prompted another round of rent relief requests and these will be managed on a case-by-case basis. Tenant retention will, however, continue to be a key focus for the year ahead.

We will also seek to introduce a second grocery anchor to some of our centres, which we believe will positively impact centres operating in markets that support additional anchors.

It is hoped that the coming financial year will bring with it real economic recovery and there may already be a few green shoots. For us to see real growth, however, we need to look further than merely bettering our pre-Covid-19 performance.

While the sale of Edgars and Jet to Retailability and the TFG Group respectively was a big win for the industry, we will continue to monitor their progress and work with the retailers to grow these businesses.

We will also continue prioritising non-GLA income, which is any income derived from sources outside of long-term retailer leases. Unfortunately, our drive to unlock added value from non-GLA revenue, inside and outside our properties and through their digital assets, was halted by the pandemic. However, we believe that such opportunities will again arise once the worst of the pandemic is over.

Increased flexibility is required in uncertain times and we support the concept of the "pop-up shop", which allows the landlord to offer infrastructure and space to new businesses and brands coming into the retail space as well as established brands looking to test ideas or locations. These shops also add excitement to traditional tenant mixes.

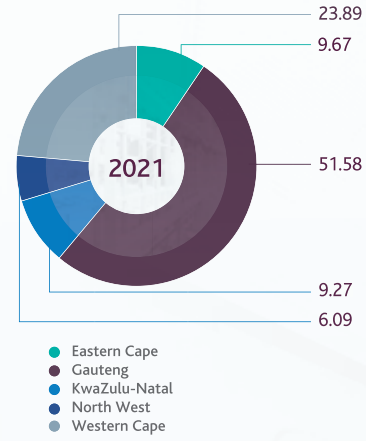
With the growth of online shopping, click-and-collect services have become a popular and convenient option for retailers and consumers and a number of our centres have facilitated the growth of this service through dedicated parking bays and signage. We are also looking at piloting collection lockers at some of our malls that will double up as a potential non-GLA income stream.

We anticipate negative rental reversions to continue into the coming year but are optimistic that retailers will recover – some categories faster than others. We also see new opportunities in certain categories and will continue to engage with retailers to ensure a sustainable future for our industry.

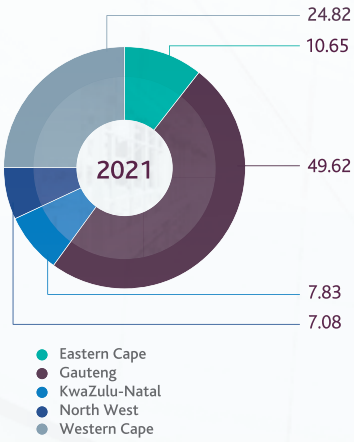
Top 10 retail tenants by gross rental contribution as at 30 June 2021

	Tenants	GLA m²
1	The Foschini Group Limited	**77 673**
2	Pepkor Holdings Limited	**72 883**
3	Shoprite Holdings Limited	**132 226**
4	Pick n Pay Stores Limited	**110 387**
5	Mr Price Group Limited	**55 221**
6	Retailability (Proprietary) Limited	**63 315**
7	Woolworths Holdings Limited	**87 268**
8	Truworths International Limited	**31 704**
9	Massmart Holdings Limited	**53 329**
10	Clicks Group Limited	**25 661**
Sub-total		**709 667**
Balance of the sector		**562 871**
Total for the retail sector (excluding vacancies)		**1 272 538**

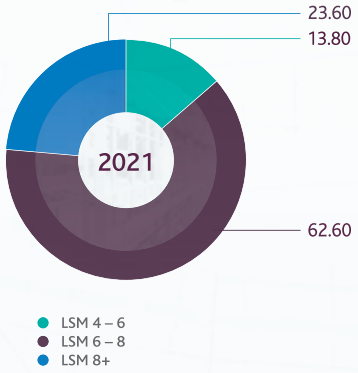
Geographical split by GLA (%)



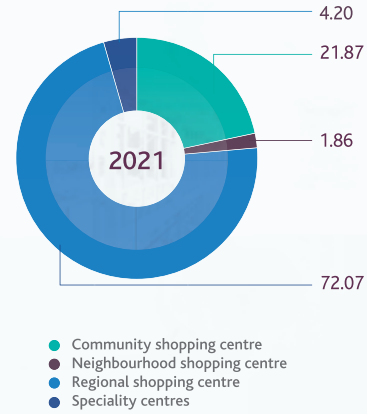
Geographical split by value (%)



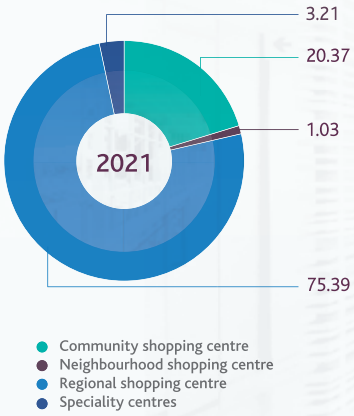
Retail LSM by value (%)



Segmental split by GLA (%)



Segmental split by value (%)



Retail: *continued*

Retail properties top five by value

Brooklyn Mall and Design Square (75%)

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

1

Pretoria | Rm 1 788 | 7.17% | m² 56 266m² | 4.15%

Festival Mall

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

2

Kempton Park | Rm 1 687 | 6.77% | m² 82 826m² | 6.10%

Waterfall Mall

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

3

Rustenburg | Rm 1 431 | 5.74% | m² 51 056m² | 3.76%

N1 City Mall

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

4

Cape Town | Rm 1 382 | 5.57% | m² 63 394m² | 4.67%

Vaal Mall (66.7%)

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

5

Vanderbijlpark | Rm 1 277 | 5.12% | m² 44 021m² | 3.24%

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

Office: Growthpoint's retention achievements were supported by our new incentive programme that rightly rewards the loyalty of existing tenants.

Growthpoint invests in prime office buildings with quality tenants and our office portfolio is concentrated in the major metropolitan centres in Gauteng, KwaZulu-Natal and the Western Cape. We strive to give our tenants great experiences in buildings that are environmentally considerate and efficiently run. Working closely with our clients and tenants enables us to anticipate and accommodate their needs and this, in turn, enables us to keep our office buildings well-occupied and to extract market-related rentals.

Office occupancies and rentals were greatly challenged by the state of the economy and the structural changes in the sector during FY21. Businesses sought to use less space to save costs, and forced work-from-home protocols led companies to reconsider their current – and possibly future – space requirements. However, the strong consensus is that office culture is essential for building business leadership and that corporate culture cannot be conveyed effectively in a purely online environment. This indicates that office space usage is changing to better accommodate tasks that cannot be done well from home, such as meetings and collaborations.

We have seen the rise of strong decentralised and secondary nodes and of access to the amenities of coffee shops and convenient retail and services – either in-building or nearby – playing a greater role in office leasing decisions. While traffic patterns are likely to remain off their pre-pandemic peaks as more people work from home, easy accessibility also remains crucial.

Performance

While we would have liked to have leased more space this year, we were still able to attract and retain tenants and conclude numerous deals, in line with our focus on tenant retention and leasing. Growthpoint's retention achievements were supported by our new incentive programme that rightly rewards the loyalty of existing tenants. The SmartStay and SmartMove initiatives are helpful tools to retain and attract tenants, respectively.

It was challenging to perform in an adverse market and although leasing enquiries were picking up before the third wave of the pandemic in June 2021, it was difficult to close deals. This was due to an oversupply of space and some areas offering prospective tenants a wide range of options, including fully furnished sub-letting. Given the uncertainties around their future office requirements, businesses remained cautious about committing and this resulted in low new letting levels. Although tenants generally seek to save costs, they are willing to make longer lease commitments in return for early renewals, and are also prepared to pay lease cancellation fees. However, while both are welcome solutions, they invariably contribute to increased vacancies because early renewals currently are often in respect of less space. Thus longer lease periods are being attained at the expense of renewal rental growth.

Growthpoint's office vacancies are at the highest levels we have seen in a long time, but are very nodally driven. Regionally, Gauteng was under significantly more pressure in FY21 than KwaZulu-Natal and the Western Cape, where vacancies are concentrated in specific buildings. There are still some nodes of good demand in Gauteng, such as Rosebank, but our most significant concentration of offices is in Sandton, where 21.1% of the total office gross lettable area is located. It is also here that we have our biggest vacancy exposure with a vacancy factor of 23.4%. Within Sandton, there are several distinct nodes with very different dynamics and some – such as the one near the Gautrain station – are doing better than others. Micro-location and node selection are therefore playing an increasingly important role in our portfolio composition.

We are still receiving requests for relief from tenants whose businesses are under pressure, although the number of such requests has reduced significantly. Furthermore, our collection of rental deferrals previously provided has been better than expected. Arrears decreased over FY21 and were well managed, with many of the persistent and larger arrears budgeted for.

Portfolio highlights

Growthpoint achieved several significant leasing deals in FY21, including a lease renewal with Absa at Alice Lane in Sandton and a new lease with Anglo American at 144 Oxford in Rosebank.

We adopted a more active asset management strategy, disposing of assets in non-key nodes and taking advantage of the buyers' market by making small, but very strategic, investments in targeted areas.

We are in the process of disposing of three non-core assets for a total of R94m, and these were in various stages of transfer at year end. It has been difficult to sell stock in business nodes we consider non-core, with the buyers in most transactions being owner-occupiers. We have also been more selective in the composition of our office portfolio. The results may not be immediately apparent, but the cumulative impact of each improvement will become evident over time.

To extract greater value and leverage our development expertise, every office asset that we identify for recycling is also considered for repurposing, such as residential conversion. Deciding factors include location, cost, and in rare cases, the realisation of our vision for a particular node.

Growthpoint's new Altron campus redevelopment at Woodmead Office Park in Sandton was completed in February 2021, and rental commenced on a long-term lease in March. We also completed a R56m public infrastructure investment programme in Woodmead to protect our strategic assets in the area, where we now own and operate about 250 000m^2 of office and retail space. This has a combined value of more than R4bn, and includes the offices at Woodmead Office Park, Woodmead Estate, Healthcare Park and Country Club Estate, as well as the popular Woodmead Retail Park shopping centre. Growthpoint was responsible for the design, development, construction and funding of improvements to both the M1 Highway Woodmead Interchange and the Woodmead Drive and Woodlands Drive intersection. These improvements to the public road infrastructure had become crucial to provide improved access to businesses in the area.

Covid-19

While Growthpoint and the property industry made significant efforts to sustain hard-hit small business throughout the Covid-19 lockdowns, it is clear that the situation has been most harrowing for our smaller tenants. We have very few buildings that cater for this size of business, yet the loss of start-up and creative businesses in these multi-tenanted buildings has still been a blow. Fortunately, most of our properties accommodate larger corporate tenants, financial institutions, mining houses and multinationals.

Our team has faced a barrage of relief requests from tenants and has carefully considered each case. These additional pressures have been tough and tiring.

Unfortunately, the third wave of Covid-19 infections halted the tangible increase in confidence that was evident from February to June, but we do believe it will resume when the wave subsides. Most tenants want to return to their offices but have yet to do so in the light of South Africa's delayed vaccine rollout and the arrival of the third wave.

The pandemic has emphasised the importance of outdoor spaces associated with office buildings. These don't need to be overly formal or fancy, but those that provide places of refreshment add massive value to building users.

Environmental

Growthpoint owns the biggest portfolio of Green Star-rated buildings in South Africa and we continue to identify opportunities to improve our existing buildings to achieve green certification. We also have a programme in place to ensure that our current certificates are renewed whenever necessary.

The number of enquiries we receive for efficient, sustainable green buildings informs us that such buildings are vital for many businesses, and we are continuously updating and reconfiguring our existing properties to accommodate this demand.

We have found that disclosing the environmental performance of each of our buildings puts us at an advantage in the market. It also helps us identify underperforming buildings which we earmark to adapt – or dispose of if we are not able to lighten their environmental impact. Green energy, resource efficiency, existing buildings certification and fair billing remain our focus areas. In addition, we are considering pursuing our first net carbon neutral certification for 144 Oxford in Rosebank.

The Growthpoint-owned and developed ConneXXion – Exxaro's new headquarters in Centurion – was the overall winner of the SAPOA Awards this year, taking the sustainability award and the best corporate office development award. The 21 708m^2 head office building has a range of features to connect occupants and enhance their health and wellbeing while also minimising its environmental footprint. ConneXXion is the first building in Africa to be rated according to the International WELL Building Institute's Core and Shell Building Standards. This rating system is the first to focus exclusively on the impact of buildings on human health and wellness. The property has also received the highest possible 6-Star Green Star rating from the GBCSA.

In Cape Town, 32 on Kloof, which was originally constructed in 1922, also delivered an outstanding performance, winning the SAPOA heritage and best refurbishment awards. Owned by Growthpoint, it was redeveloped in line with our vision of making it the attractive Kloof Street façade of the Longkloof precinct. This exciting precinct retains all its old charm but has been adapted and modernised to provide around 11 000m^2 of renovated office space. This architectural response marries historical and contemporary influences, conserves South Africa's heritage resources, and extends the lifecycle of the building. Growthpoint previously applied a similar approach to the refurbishment of Draper Street in Cape Town.

The property industry and its tenants are becoming increasingly aware of the carbon savings that can be made by adapting existing buildings. Buildings like 32 on Kloof represent a shift in the way we think about the assets in our portfolio, and we intend to be more astute about offering the best type of building for each node by looking at an area more holistically. This requires us to be even more sensitive to what already exists, as well as business needs, market demand and how a building relates to the street, the public and surrounding amenities.

Outlook for FY22

Growthpoint will continue to focus on owning suitable properties in the right nodes for our portfolio and ensuring that we have the best people and skills on our team.

We are ready to adapt to the changing ways of working which we believe will include offices designed to foster interaction and collaboration.

Our agility and client-centric approach means we are already well-positioned to address the needs of the market but to enhance this, we are introducing a new role to the business – that of a community manager. The role will focus on the experience in our buildings and help us to offer our tenants the services and amenities that make a difference to their specific businesses and their employees. This includes leveraging our relationship with OneCart for on-demand shopping delivery to selected office buildings.

With an oversupply of space in the market and pressure on occupancy levels, rental renewal growth will inevitably face continued downward pressure across the entire sector. For this reason, we are unlikely to pursue any new office developments unless suitable leases underpin them.

Although it has been planned for a decade, we are optimistic that the development of the Sandton bridge, linking 1 Sandton Drive and Sandton City, will go ahead soon. This will contribute positively to all who live and work in Sandton Central, as well as visitors.

Developments and refurbishments

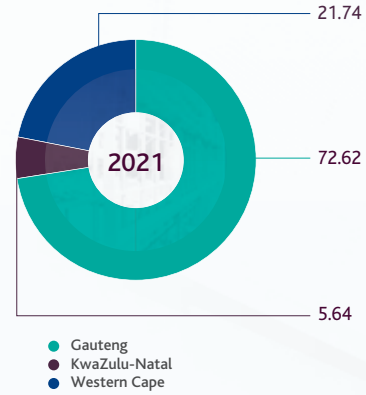
Building	Location	Description	Tenancy	GLA (m^2)	Completion date
Completed					
The Woodlands	Woodmead, Johannesburg	Redevelopment of buildings 1 to 8	Altron	27 469	April 2021
The Woodlands	Woodmead, Johannesburg	Redevelopment of building 33	DRA	12 393	April 2021
Various	Woodmead, Johannesburg	Upgrade of interchange	N/A	N/A	September 2020
Longkloof – Canopy	Longkloof, CT	Parking basement for hotel	Hilton	N/A	May 2021
Longkloof Studios	Longkloof, CT	Refurbishment and extension	Various	11 322	March 2021
Microsoft	Bryanston, Johannesburg	Refurbishment	Microsoft	9 484	March 2021
In progress					
Longkloof	Longkloof, CT	Restoration of historic building	TBC	2 036	July 2021
144 Oxford	Rosebank, Johannesburg	Tenant installation	Anglo American	36 696	August 2021

Top 10 office tenants by gross rental contribution as at 30 June 2021

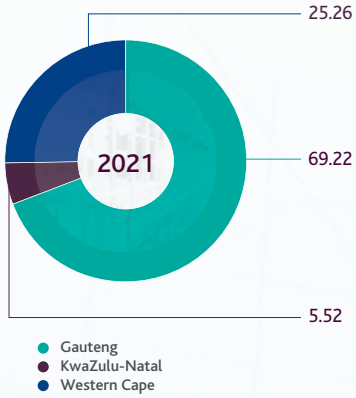
	Tenants	GLA m^2
1	Discovery Holdings Limited	**66 714**
2	Anglo Corporate Services South Africa (Proprietary) Limited	**30 216**
3	Transnet Limited	**27 495**
4	Allied Electronics Corporation Limited	**39 778**
5	Absa Bank Limited	**28 330**
6	Exxaro Resources Limited	**21 708**
7	Investec Bank Limited	**13 785**
8	EOH Holdings Limited	**20 616**
9	The Western Cape Government	**17 800**
10	MTN Limited	**13 317**
Sub-total		**279 759**
Balance of the sector		**1 088 595**
Total for the office sector (excluding vacancies)		**1 368 353**

Office: *continued*

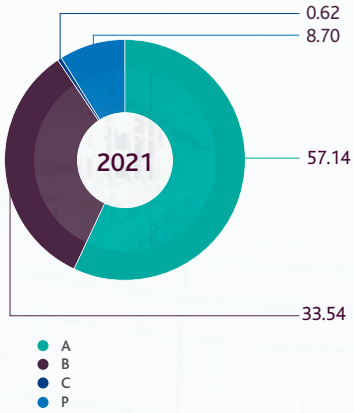
Geographical split by GLA (%)



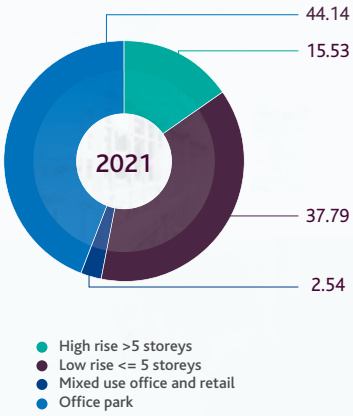
Geographical split by value (%)



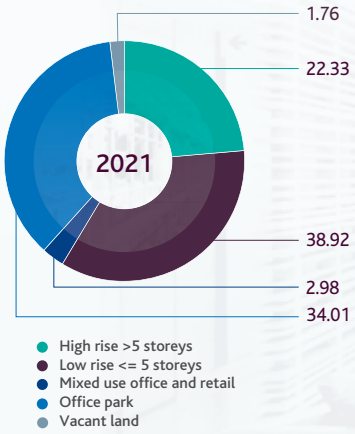
Diversification by grade (%)



Segmental split by GLA (%)



Segmental split by value (%)



Office properties top five by value

Discovery 1 & 2 (55%)

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

1

Sandton | Rm 2 463 | 8.90% | m² 64 127m² | 3.75%

Woodlands Office Park

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

2

Woodmead | Rm 1 650 | 5.96% | m² 113 703m² | 6.65%

144 Oxford Road

Located in a prime position at the gateway to Rosebank, this nine story office development with uniquely elastic design features of flexible spaces that can be adapted to the specific needs of businesses.

3

Rosebank | Rm 1 066 | 3.85% | m² 37 447m² | 2.19%

Constantia Office Park

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

4

Roodepoort | Rm 923 | 3.33% | m² 74 767m² | 4.37%

Inanda Greens

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

5

Sandton | Rm 906 | 3.27% | m² 40 546m² | 2.37%

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

Industrial: One of the major drivers of positive performance in the sector was the ongoing trade of essential goods and services.

The first half of the financial year was incredibly challenging, specifically due to the impacts of the second wave of Covid-19 infections and the stricter lockdown measures that were introduced in response. After it subsided, and not withstanding ongoing volatility, there was a period of stability and a growing climate of positivity, until government once again introduced tighter restrictions in response to a third wave of Covid-19 cases at the end of FY21.

The declining economy, which was already weakened before Covid-19, had the most influence on the sector during FY21. However, business activity increased as the financial year drew to a close. One of the major drivers of positive performance in the sector was the ongoing trade of essential goods and services. Additionally, the growth in demand for online shopping played in favour of logistics, especially among those companies that service e-commerce.

Performance

The industrial sector proved to be the most resilient sector in FY21, outperforming office and retail. It has not, however, delivered a stellar performance. Businesses failures nudged up vacancies and elevated arrears creating a downward cycle that could lead to further business failures and result, in turn, in greater unemployment, less money spent, depression in consumer and business confidence and a slump in industrial activity.

Within the sector, logistics and warehousing property sub-types performed better than the manufacturing and assembly types, which are experiencing a slower recovery. Eskom's constrained ability to provide stable power to business has contributed to the impact on manufacturers and smelters causing a backlog in structural steel and metal components. As a result, manufacturers were forced to look to overseas markets for materials, their costs increased and they have subsequently found themselves squeezed between the negative impacts of lower demand and higher prices.

The increase in vacancies can be attributed to a spike in liquidations and mothballed businesses. We worked very hard to minimise voids, making diligent efforts to retain our existing clients and to attract new tenants. We managed arrears over an extended period as effectively as possible, considering the constraints on liquidity in the business sector, but the marked increase reflects the tough and uncertain times we are in – including the impact of the various and changing lockdown rules that have hurt most businesses. While retaining tenants in this environment is less costly than having vacancies, there is a trade-off. We have had to restructure leases, ultimately sacrificing revenue in the short term for occupation in the longer term. With many businesses failing or downsizing, market supply outstripped demand and this led to decreasing rentals and escalations.

We have worked closely with our marketing team to create leasing and retention initiatives and adapted tactics to heighten our ability to attract tenants in a competitive market.

Portfolio highlights

Structural trends within the sector and its performance relative to the other sectors resulted in opportunities for smaller investors to acquire industrial assets. This created demand for non-core assets we wished to dispose of and we have capitalised on this. We identified about 40 non-core properties for disposal and of those, we have sold six, which were in various stages of transfer at year end. The disposal aspect of our asset management rebalancing strategy has, however, faced challenges, especially as potential investors find it difficult to access funding.

Developments

Preserving liquidity in the business also meant putting a pin in several planned developments until the final quarter of FY21. Our developments are strictly demand-driven in this environment. However, development highlights include commencing the construction of a bigger facility of 5 700m² for our existing client Beckman Coulter at Centralpoint Innovation District, which will be completed by December 2021. We also completed several value-adding projects, such as refurbishing a unit in Growthpoint Business Park in Midrand, where Penguin Books has consolidated its warehouse and office operations in a single 3 650m² facility.

Developments and refurbishments

Building	Location	Tenancy	m² actual floor area affected – not total GLA	Completion date
Completed				
Highway	Johannesburg	Rebel Safety Gear	1 235	November 2020
Wadestone Industrial Park	Johannesburg	Naturecel	5 383	July 2020
In progress				
Centralpoint	Johannesburg	Beckman Coulter	5 742	December 2021
Bulk earthworks	Various sites	–	–	June 2022
Centralpoint infrastructure	Johannesburg	N/A	–	June 2022

Environmental

Restraints on liquidity temporarily constrained our greening initiatives during FY21, but we will invest some R30m on installing solar PV at several of our properties in the coming year. Installing solar systems at multi-user facilities is our current focus as it is a financially feasible way to reduce reliance on South Africa's electricity grid, thus reducing our dependency on fossil fuel energy-producing systems. Solar energy also appeals to our environmentally conscious tenants and aligns with Growthpoint's sustainability strategy. In addition, we have associated strategies such as introducing more energy-efficient lighting and making use of greener materials during construction.

Triple-net leases have long been the order of the day in the industrial sector, but we have moved away from this hands-off approach to ensure our building structures are better maintained by our own skilled property management teams. Growthpoint has high standards for the quality of our assets and their environmental impact and with our in-house expertise and resources, we are usually best positioned to protect and extend our buildings' lifecycles and ensure their efficient operation.

There is increasing demand from tenants, especially international businesses, for green buildings with net-zero carbon impact and we work closely with them to achieve their environmental objectives.

Outlook for FY22

Portfolio metrics are likely to improve and our performance is expected to hold steady in FY22. Among the challenges ahead are the aftershocks of the severe lockdown restrictions on the food and beverage sector, including the alcohol trade, which impacts both manufacturing and logistics tenancies.

Vehicle sales and services have taken a huge knock, and this creates a challenge for our motor industry and occupiers of dealership and workshop properties. On the upside, when businesses can start growing again, we foresee improved confidence and increased employment, which will lead to more people being able to spend more money.

Tenant retention remains our top priority. We will also continue the excellent progress made on our disposal strategy and use it as a critical tool to rebalance our portfolio towards long-term sustainable income. The focus will, however, be more on warehouse and logistics type properties than on assembly and manufacturing plants. Even with the immediate disposals and the shift of our portfolio composition towards modern logistics warehousing, we will still seek to grow the portfolio to the extent that liquidity allows in the current market. We will also continue to roll out solar PV, greening and sustainability initiatives at our properties.

Covid-19

Despite this altered environment being less suited to collaboration, more demanding and more stressful, the team has performed well. The first half of the year was particularly challenging as we had to navigate our way through a new and convoluted process to manage the influx of rental relief requests from tenants. This included engaging in difficult discussions and motivating our recommendations to our clients.

The business has been sensitive to the impact of Covid-19 making it necessary for individuals in our teams to work remotely, although most are now looking forward to getting back to a more familiar work environment.

Having no blueprint for the challenging operating environment resulting from the pandemic, we had to devise new structures and responses on the run. However, we did come to understand our tenants' businesses a lot better and additionally had the opportunity to communicate with the vast majority of our tenants more frequently. Our client-centric way of doing business was thereby enhanced.

We respected the lease agreements that were in place and weighed the necessity of retaining income against our priority of retaining tenants. In spite of the impact that Covid-19 had on our business, we were able to help sustain many of our tenants' businesses with interest-free rental deferments and discounts. Our assessments of these requests were, nonetheless, meticulous, in line with the responsibilities we have to our shareholders and other stakeholders.

Through this experience we have learned important lessons about understanding our tenants well – the size, risk and creditworthiness of each business – and we will take these lessons with us. Furthermore, the electronic documentation system that was implemented has added speed and efficiency to our service, and we will continue to use this and other helpful electronic ways of doing business.

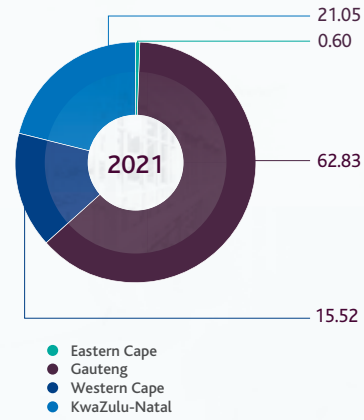
Still, with the third wave of Covid-19 swelling as FY21 closed, it was clear that the negative effects of the pandemic, and its impact on the already ailing South African economy, would be felt for years to come. Now only a swift and successful vaccination rollout will improve sentiment and confidence so that we can pick ourselves up and start running again.

Industrial *continued*

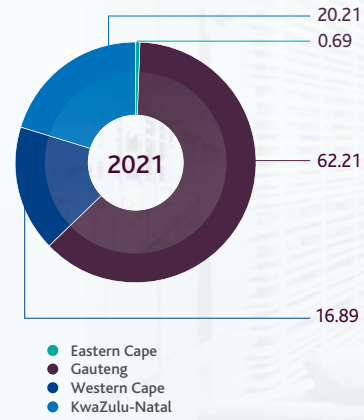
Top 10 industrial tenants by gross rental contribution as at 30 June 2021

	Tenants	GLA m²
1	The Bidvest Group Limited	52 571
2	Adcock Ingram Holdings Limited	28 805
3	Consolidated Steel Industries (Proprietary) Limited	28 155
4	Anchor Logistics (Proprietary) Limited	33 538
5	Scania South Africa (Proprietary) Limited	23 717
6	MPact Limited	13 465
7	Distell Limited	45 636
8	GZ Industries SA (Proprietary) Limited	21 543
9	Heneways Freight Services (Proprietary) Limited	25 573
10	Nestlé South Africa (Proprietary) Limited	16 255
Sub-total		**289 258**
Balance of the sector		**1 760 932**
Total for the industrial sector (excluding vacancies)		**2 050 190**

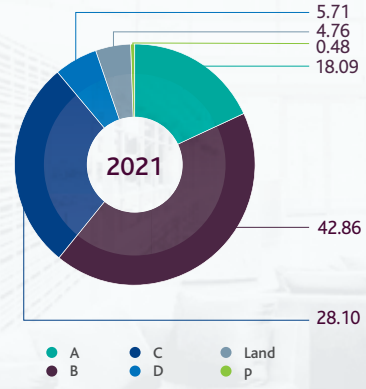
Geographical split by GLA (%)



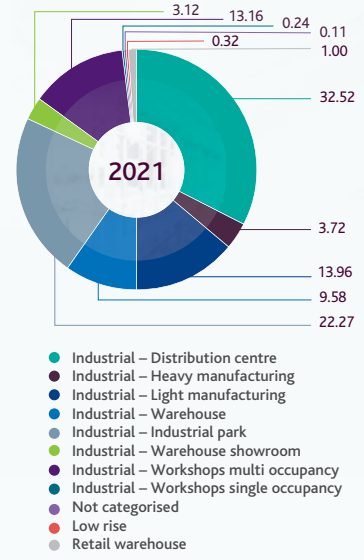
Geographical split by value (%)



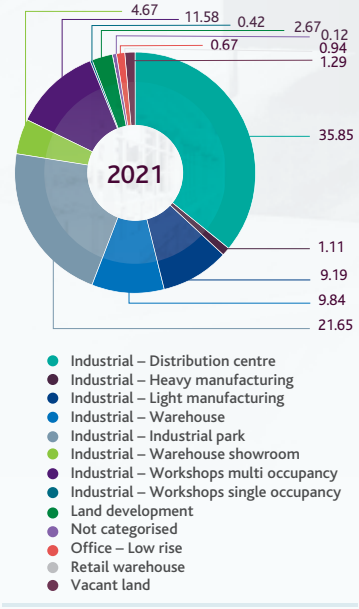
Diversification by grade (%)



Segmental split by GLA (%)



Segmental split by value (%)



Industrial properties top five by value

Growthpoint Business Park

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

1

Midrand | Rm 416 | 3.36% | m² 68 261m² | 3.02%

Hilltop Industrial Park

With superb highway frontage and access, Hilltop Industrial Park encompasses some of the most functional industrial premises in South Africa. This B-grade industrial park has undergone a major upgrade.

2

Germiston | Rm 393 | 3.18% | m² 76 283m² | 3.37%

Montague Business Park – (25%)

Growthpoint has 25% joint ownership of this 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.

3

Cape Town | Rm 393 | 3.18% | m² 44 810m² | 1.98%

Adcock Ingram – Midrand

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

4

Midrand | Rm 292 | 2.35% | m² 22 455m² | 0.99%

Wadestone Industrial Park

Wadestone Industrial Park is in a manufacturing node offering easy access to rail and road. The warehouse component has natural light and height. The property has large privately fenced yards and there are numerous gantry options. The park is currently about 50% developed with the potential to further develop another 25 000m².

5

Germiston | Rm 237 | 1.92% | m² 26 929m² | 1.19%

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

V&A Waterfront (V&A)

The V&A strives to create the world's most inspirational waterfront neighbourhood – a collective space where 28 000 people live and work in a shared-value ecosystem. This includes the V&A's broader stakeholder base beyond the actual precinct. The business spans five traditional property areas: office, retail, industrial and marine, hospitality (hotels) and residential (rental accommodation and development).

For almost a decade, the V&A's growth was double that of the national economy, based on international tourism, events and business travel. The overnight loss of these drivers in the wake of the Covid-19 pandemic has therefore severely impacted the precinct and especially the restaurants, jewellers and curio shops which account for 41% of retail turnover under normal circumstances. Hotels have suffered significant losses, with occupancies reduced to approximately 30%, and the pandemic and resultant lockdowns have had a negative effect on other areas too.

As a result, revenue decreased by 28% and distributable income decreased by 40% from FY20. On a like-for-like basis, distributable income increased by 5.1% from FY20. However, vacancy levels in the precinct remained at approximately 3% in FY21, which was well below the industry average.

While the year was challenging, it also came with many highlights, including the resilience of tenants, low vacancies across all five categories of the business, very few business failures even in the small business space and our increasingly positive impacts on the environment and society.

We are particularly proud of our efforts to protect and retain our existing tenants, all of whom are invaluable to our ecosystem. For instance, when the government required our aquarium, arts and culture attractions to shut, we supported them at high cost and by doing so have sustained them. Actions like these have ensured that the Waterfront is ready not only to rebound when tourism returns, but to do so ahead of the general market.

Offices

This robust sector of the business continued to deliver a solid performance and vacancies remained low at approximately 3%. The advantageously high percentage of blue-chip tenants are retaining space and paying rentals, even though most have only returned about 20% of staff to their offices. This slow return to the office does, however, mean lower footfalls in the precinct during the week and this has knock-on effects for retail.

Co-working and flexible office spaces have recovered and are enjoying good demand, operating at capacity within the restriction guidelines.

The priority in this sector is managing the pressure on occupancy and rental levels and mitigating the impact of office space rationalisation. We are constantly talking to our office tenants about new ways of working and how we can help meet their needs.

Retail

Despite the absence of international visitors and the impact of that on 41% of our retail tenants, this sector has shown improvement in FY21. The domestic retail market has recovered as consumers and retailers adapted to the new circumstances and by May 2021, the precinct's retailers were again showing trading growth, albeit marginal, compared to 2020.

Protecting the tenant infrastructure was a key objective for FY21 and we have been agile in our management of this. We succeeded in avoiding the pitfalls of large liquidations in the market and keeping voids low. For example, the vacancies left by CNA and Musica were quickly re-let and careful consideration saw us replace Edgars with an extension of Zara and a desirable selection of premium beauty brands.

National retailers are no longer receiving relief, but we are still providing strong support, high levels of assistance and even working capital in a few cases to assist the 400-plus small and micro-businesses in the precinct to survive.

Unlike most property portfolio owners with assets in different locations, we do not sell non-core or under-performing assets. We are committed to holding all the properties in the precinct for the long term, regardless of market forces and lifecycle phases. However, we do repurpose or re-tenant buildings for best use and this year it was unfortunately necessary to provisionally mothball some restaurants that used to rely almost entirely on international guests. Restaurant fit-outs are specialised and costly and so it is of mutual benefit to both the V&A and the restaurateurs to preserve these businesses and enable a quick recovery when tourists return.

Given the current situation, it is highly unlikely we will add retail capacity to the precinct in this market. Our priority is to allocate the existing capacity to the retail categories that best serve customer demand. Luxury retail is one such segment that is showing strength, thanks to resident high-end consumers opting to spend locally instead of internationally as well as some African tourism. Online retailers that see advantage in a physical presence and those pursuing strategies like click-and-collect fulfilment are well suited to the V&A. The precinct is actively enabling these next-generation retailers with an on-site collection centre and other new and innovative supporting amenities.

Marine and industrial

Apart from its cruise line, boat and helicopter charter components, this business area consists of essential services and therefore remained resilient and virtually fully let in FY21. Opportunities to allocate some existing capacity to distribution and logistics clients such as Takealot, which has identified the Waterfront as the site of a sub-distribution centre, are also emerging.

Hospitality

There is no doubt that tourism will return, along with business travel, major sporting events and conferences, but it is unclear when, or how, this will occur. Globally, around 60% of the world's cruise ships are back on the water and although we hope to start welcoming them again from November 2021, we do not believe that tourism will make any meaningful return in the next 12 months. We foresee the substantial recovery of tourism to Cape Town only in the summer of 2022 and this means continued uncertainty for the hotel sector.

The oversupply of residential space to let in Cape Town, particularly at the high end of the market, is causing high rental variances and pushing down pricing, with the result that there are no residential developments planned for the precinct.

Development

While development within the V&A was greatly reduced in FY21, December 2020 did see the completion of Deloitte's new 9 350m² office. The building received a 6-Star Green Star design rating which signifies world-leading sustainability performance.

The Canal District is the current focal point of our development master plan, with the City of Cape Town having granted approval for approximately 105 000m² of our existing bulk rights to be developed to expand this 10.5ha district. The estimated R3.9bn pipeline of developments will include projects on both sides of Dock Road and around Battery Park with the first being the new Investec head office that is currently under construction. The Canal District is the first point of contact for visitors entering the V&A from the city and creates a seamless link from the CBD to Dock Road in the precinct. The Caltex service station relocation also forms part of the expansion plans.

While still in the early stages, plans for the development of Granger Bay are also underway. In the past, the V&A has opportunistically acquired parcels of adjacent land and remains open to similar value-adding acquisitions. Opportunities also exist to develop lifestyle elements not yet represented at the Waterfront and we are exploring these.

In the current circumstances, however, our existing tenants and the buildings that already make up the precinct are our priorities, and our focus is on keeping occupancies high, managing our debtors' book carefully and handling development appropriately so as not to contribute to oversupply.

Covid-19

The V&A strives to be one of the safest destinations for tourists and locals alike. As such, it has put much effort into becoming the first destination in Africa to obtain the World Travel and Tourism Council's (WTTC) Safe Travels stamp – the first-ever global safety and hygiene stamp for Travel and Tourism, designed to address Covid-19 and similar outbreaks. We have installed 80 digitally monitored sanitiser dispensers at the Waterfront, appointed dedicated Covid-19 safety marshals and provided other meticulous protection measures.

During the pandemic, the V&A spent R1.3m on food security initiatives, ensuring that many communities across the peninsula received meals. By partnering with four restaurants, 40 small scale farmers, Ladles of Love and the Oranjezicht Farm Market, the Waterfront was able to equip 12 kitchens which, together with our own restaurant kitchens, prepared 130 000 meals throughout the winter of 2020. By adding commercial use through restaurants and markets, these initiatives have continued, and the Waterfront has pioneered and prototyped urban farm-to-kitchen sustainability.

Makers Landing, a 3 300m² food emporium which includes a kitchen incubator that supports early-stage businesses and food entrepreneurs, was opened in December 2020 with R20m in funding received from the Jobs Fund and has created 106 jobs to date. The vision is similar to that of the Watershed incubator for art, craft and design in that it is closing the gap between entrepreneurial food concepts and retailers and consumers and we hope it will ultimately incubate the growth of these businesses into future tenants.

Environmental and social impact

We celebrate heritage and diversity, champion art and design, support entrepreneurship and innovation and drive positive social, economic and environmental change.

This year, our focus was mainly on supporting small business sustainability, providing food to alleviate hunger, sheltering the homeless and preserving the ocean economy, as well as greening initiatives such as energy efficiency, water savings and waste recycling. The Waterfront now has 17 Green Star-rated buildings, making it the greenest precinct in Africa.

With the advantage of its 123ha site, the V&A can offer central, large-scale environmental solutions and leverage them for tenant businesses. For example, a proposed new 3.2Ml desalination plant will support water security for all in the precinct, take it off-grid and power it with green energy.

V&A Waterfront (V&A) *continued*

The V&A is committed to applying best practice in environmental management and has set out several clear objectives and goals.

- Energy: carbon neutral by 2025
  Growing solar power-generation capacity, which currently stands at 4MW. The latest project includes re-roofing the Victoria Wharf to support a solar PV installation
- Water: off the grid
  Besides desalination, a central black water treatment plant is planned to produce irrigation water for the precinct
- Waste: 80% waste recycling
  A combination of different measures will achieve this, from pyrolysis, where heat is used to incinerate waste and, in turn, generate electricity, to taking organic food waste to a fly farm
- Biodiversity: preserve the ocean economy
  The Waterfront is at the interface of marine life and man. We work with scientists on a marine wildlife programme to manage conflict between man and marine wildlife. Being on the Cape of Storms drives our commitment to coastal protection.

By consistently addressing environmental and social concerns in the built environment and society, the V&A has built a reputation as a leader in these areas. It attracts like-minded people and organisations and is regularly invited to collaborate and work on innovative pilot and prototype projects. Moreover, environmentally and socially sensitive employees are asking their employers to operate from our sustainable base.

Our efforts to address social issues are primarily put into action through initiatives and small businesses that facilitate job creation because we believe that by providing and creating jobs, we make the most positive social, community and economic impacts. While unemployment increased nationwide during 2020, independent research shows that the number of direct jobs at the V&A grew by 4.2%.

The V&A also extends its good work to previously disadvantaged areas, where 80% of its workforce lives and because homelessness is a big issue in the city, we support The Haven Night Shelter for adults and The Homestead for street children.

In addition, the V&A is committed to addressing historic imbalances through inclusive and sustainable development and has made good progress in applying the 23 measures it uses to track its B-BBEE journey.

Outlook for FY22

The V&A's five property areas have different operational risk levels, with offices proving to be the most resilient and hospitality the least. We are carefully managing the precinct through this period and will continue to optimise our strengths and improve on areas of weakness to ensure we are in an excellent and agile position to recover rapidly.

The V&A has always been unique, and this has remained the case during the pandemic. For years its positive performance contradicted the country's weakening economy, and while this has been reversed during the pandemic by the cessation of international tourism, events and business travel, the situation is not permanent. The temporary disruption to some areas of business has continued longer than we initially expected and it remains unclear when the foreign cohort of visitors will be able to return. However, we are confident that they will return.

Until then, the V&A's core markets remain strong with growth potential and we have all the fundamentals in place to resume our pre-pandemic position.

Top 10 tenants by gross monthly rental (100%) as at 30 June 2021

	Tenants	GLA m²
1	Allan Gray (Pty) Ltd	**20 905**
2	Nedbank Group Limited	**25 433**
3	The Foschini Group Limited	**3 632**
4	Woolworths	**10 527**
5	PwC	**9 650**
6	Legacy Hotels	**16 226**
7	Department of Public Works	**17 323**
8	Sun International Hotels	**17 100**
9	The Surtee Group	**1 606**
10	Tourvest Holdings Limited	**4 464**
Sub-total		**126 866**
Balance of V&A		**324 406**
Total for V&A Waterfront (excluding vacancies) (100%)		**451 272**

Our people

Growthpoint is an organisation which embodies family values at its heart: our remuneration is competitive, based on a philosophy of rewarding and supporting good performance, encouraging innovation, developing employees and their careers, tackling issues which impact our employees, encouraging meaningful conversations and giving our people voices.

Human Resources (HR)

Managing the organisation's talent and ensuring Growthpoint's sustainability through employee development, succession management and transformation are key focuses of the HR team. We aim to create a positive work experience for each of our employees while protecting the organisation's interests and meeting its objectives. We continually endeavour to make Growthpoint an employer of choice.

This year, we elevated our role of protecting employees' safety and wellbeing during the Covid-19 pandemic and maintaining business continuity at an unprecedented time of disruption. Our focus shifted and the genuinely meaningful nature of the HR team's work was amplified. Our HR team stepped forward with passion and compassion at a time when its role in the business was critical. Many of our employees came under increased pressure on multiple fronts and our HR team actively engaged and supported them.

Employment Equity (EE) and transformation

Growthpoint strives to offer a diverse, transformed and inclusive work environment. We provide equal opportunities for all employees while giving special consideration to employees from designated groups. Eradicating discrimination in all our employment policies and practices ensures that we promote equal opportunities in the workplace. Our affirmative action (AA) measures enable us to redress employment imbalances experienced by designated groups and ensure their equitable representation in the workplace.

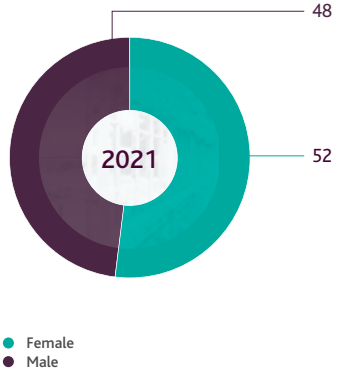
Growthpoint's transformation strategy, which is managed internally by our HR department, has fared well in achieving its objectives. Transformation targets demonstrate the diversity and integration of our organisation and remain imperative for Growthpoint as a good corporate citizen. We have a track record of setting and achieving numerical goals at middle management and below. Our progress in achieving transformation objectives is monitored and evaluated by our dedicated Diversity and Inclusion Forum, and our EE plan forms part of our transformation strategy, which is reported on each calendar year.

With our three-year EE plan having been concluded at the end of 2020, we have set new targets and strategies to take us forward and these also feature a greater focus on employee health and safety. Our new plan, which was recently approved, will determine the basis of our future work and communication.

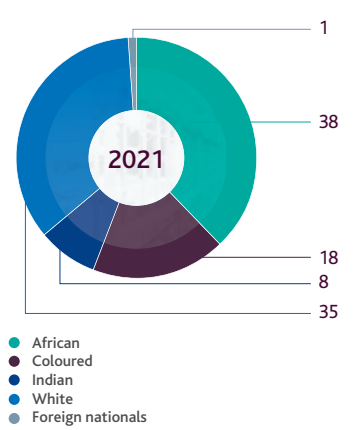
Other diversity indicators

There is increased pressure on organisations to disclose various diversity indicators, among them information on LGBTQ+. We do not require employees to disclose their sexual orientation but welcome voluntary disclosure of gender identity to confirm our inclusivity philosophy. All employees are treated with respect and receive the same benefits regardless of their sexual orientation and we therefore do not collect data on this indicator.

Employee per gender (%)



Employee race profile (%)



Our people *continued*

Living wage and pay gaps

Growthpoint's remuneration is competitive and we strive to uphold this position, notwithstanding a very challenging year for our business. Remuneration plays an essential part in our employee value proposition as well as attracting and retaining valuable skills.

There is no unilateral definition of a living wage but we believe people should be paid a salary that enables them to afford accommodation, transport, healthcare, food and educational opportunities for their dependants. We have analysed our remuneration indicators and are comfortable that our employees are remunerated in line with the living wage definition.

Reducing the gap between our lower and higher earners remains one of our goals. Granting increases to only 80% of employees at 1 July 2020, which fell in lower-earning grades was one of the strategies we adopted to help narrow the gap, and we plan to continue reducing the gap.

This year, Growthpoint participated in a gender pay gap research project and we fared well overall. The results were positive on all levels except for top management. The discrepancy in pay at this level could stem from a difference in experience and expertise rather than gender, but it nonetheless flags an area of improvement which we will continue to monitor.

Our new job grading system has moved us beyond the non-formulaic approach to remuneration of the past and ensures that remuneration is equitable, with internal and external parity. The confirmation that Growthpoint doesn't remunerate based on gender validates our use of a grading system.

Employee value proposition (EVP)

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

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

Health and safety

Our dedicated Health and Safety Forum proactively monitors and reports concerns to ensure that our work environment remains incident-free as far as possible.

Naturally, the primary focus this past year was limiting the spread of Covid-19, and much was done to protect our employees. We also evolved these efforts as more information about the pandemic unfolded, best practices advanced and regulations were updated. Although not always easy to access, we took advice from NCID. Our partners Discovery Health and Fedhealth also became valued sources of good guidance for the wellbeing of all those in our workplace.

While infectious disease prevention and protective protocols and measures were a priority, we also kept the Occupational Health and Safety Act (OHSA) in mind and our compliance with all elements of the national health and safety regulations and requirements remains non-negotiable.

Employee wellness

Our wellness programme highlights the main health concerns that guide our employee wellness initiatives. Growthpoint is a high-performance environment under "normal" circumstances, and the attendant stress was amplified during FY21 by the health crisis. Accordingly, we pivoted and made the necessary adjustments to make positive impacts in the new operating environment and address the increased stress and mental health issues created by the pandemic. With this in mind, the mental health of our employees will also be one of our primary focus areas in FY22. The wellness programme moved online and its initiatives and effectiveness continue to be assessed frequently.

Despite their increased Covid-19 risk, several employees with comorbidities were among the many that were eager to return to the office, and prior to returning, they were required to provide consent (in some instances from their medical practitioners) to ensure that they were not putting their lives at risk. We boarded three employees as a result of poor health in FY21, a decrease when compared to the four who were boarded in FY20.

The past year has emphasised the critical need for good healthcare in our society, and as we do not want our employees to worry about their physical, mental or emotional health, we believe they must be on medical aid. To confirm mandatory medical aid memberships, we are in the process of establishing the cover of those on a spouse's medical aid.

Employee surveys

Employee feedback matters to us and so, in order to gauge how employees were impacted during this time and assess their engagement with our business, we conducted two staff surveys.

The first focused on preferred methods of working and it revealed that our employees favour a hybrid working model and would prefer to spend a few days in the office each week, mainly for collaborative processes, and work remotely for focus-driven tasks. We are reviewing this feedback in tandem with experience gained from the staff rotation system applied over the past year.

The second was a broader survey addressing issues such as management, policy and communications, among others. The results of this survey are being reviewed.

Industrial relations

Good industrial relations improve employee morale. Productivity increases and employees work with passion when they feel that their interests and those of their employer are aligned.

Therefore, many of our actions revolve around industrial relations issues, performance management, and fair disciplinary procedures.

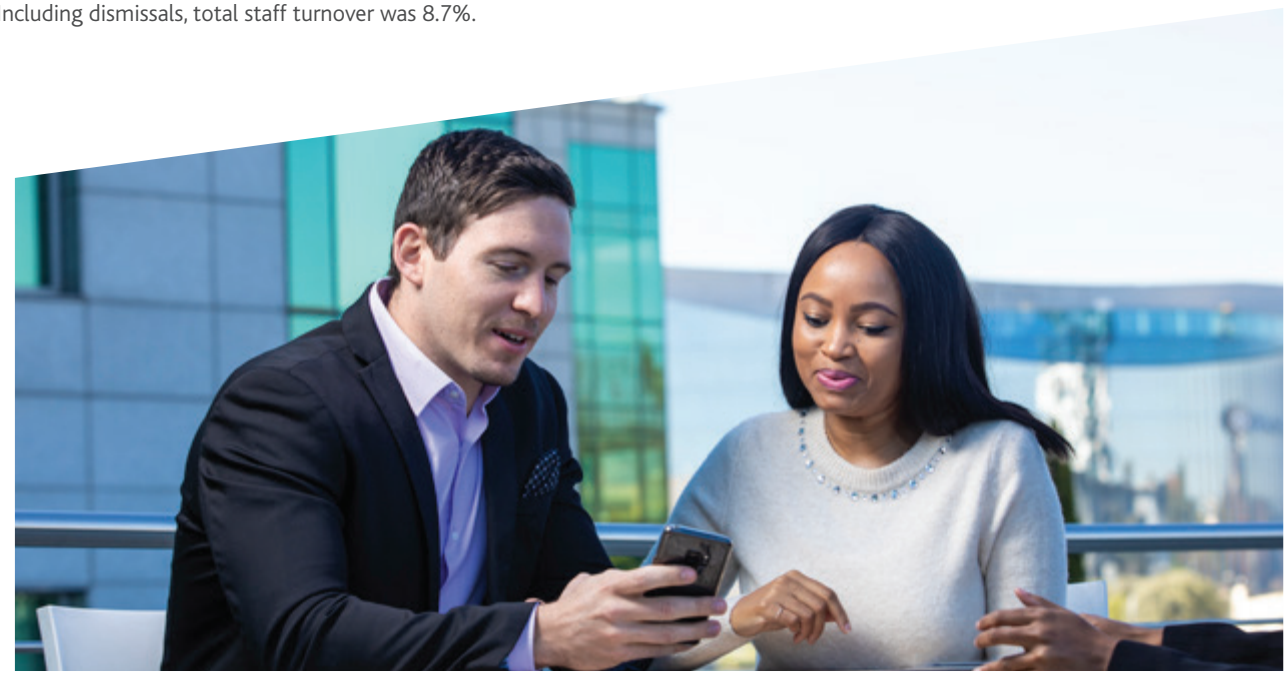
In FY21, there were 21 industrial relations matters relating to misconduct and performance management, compared to 38 in FY20. These included seven dismissals for misconduct and poor performance, in line with the policies we have implemented to ensure good governance and our philosophy of driving high-performance teams.

Staff turnover

While our focus was on preserving employment for our people this year, we did have some natural attrition of staff. This went a long way towards solving certain job fragmentation and culture challenges which had arisen due to the growth of our business through the acquisition of various property enterprises.

We monitor our voluntary staff turnover, which this year was 6.9%. This is an acceptable level that is on par with the market. Including dismissals, total staff turnover was 8.7%.

Employee statistics	FY21	FY20
Number of employees		
• full-time employees	**611**	623
• contractors	**32**	36
Net property income per full time employee (South Africa) (R)	**9 981 997**	9 401 284
Average tenure of employees (years)	**8**	8
Annual attrition rate of all employees (%)	**11.6**	15.2
Annualised attrition rate of full time employees (%)	**8.7% of which 6.9% was voluntary 1.8% was involuntary**	7.0% of which 4.0% was voluntary
Number of industrial relations cases	**21**	38
Average age of employees (years)	**45**	45
Minimum CTC – lowest level of employee (R pa)	**143 100**	112 590
Direct investment in employee training (Rm)	**3.8**	4.5
Total cost of employee training (Rm)	**4.7**	5.5
Number of employees trained	**539**	1 103
Hours of training per employee	**4.3**	8.0
Total number of sick days	**1 470**	1 926
Weighted average number of sick days per employee	**2.4**	3.1
Number of physical injuries	**2**	–
Days lost to incidents for serious occupational injuries	**29**	–
Workplace fatalities		
• full-time employees	**–**	–
• contractors hired by HR	**–**	–
• third-party contractors	**–**	–



Our people *continued*

Policies and procedures

A few employees adapted extremely well to forced remote working and a few did not adapt at all, but it was a mixed experience for most. We do not doubt that our offices will always be the heartbeat of our business activities and operations. Given that we seek to enable our diverse staff contingent to perform at its best and benefit from balance, we are in the process of formalising our flexible working policy.

Last year, we committed to providing staff training and communication on new and updated policies via an e-platform, I–Thrive, and we are pleased that we were able to achieve this objective.

We still intend to implement ESG objectives as a KPI for senior management. This will be linked to remuneration in the same way it affects executives. We were unable to finalise the numerical measures that would define this KPI this year and will prioritise doing so in FY22.

Executive contracts have also been updated to ensure greater uniformity.

Grievance procedure

Our updated grievance procedure was approved this year. This includes a schedule of offences and their related consequences and we conducted a communication and awareness drive about this. While employees with grievances can raise their concerns directly with our HR team and receive advice on how best to address the matter, labour and human rights issues can also be addressed through our independently monitored whistle-blowing hotline. We encourage employees to raise concerns about workplace malpractices without fear of victimisation or reprisal.

Talent and succession management

Given its importance, our succession plan is a living document and is currently receiving even greater focus.

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

To further career advancement within Growthpoint, we matched people with different positions in the light of changing business needs and were able to promote eight existing employees in FY21.

Training and leadership development

We invest considerable time, effort, and resources in training and development to support and advance our employees' careers, because we want to develop the best, brightest, and most innovative teams.

This year, a seamless transition to the new MRI software and system was paramount and our training efforts were directed towards ensuring that our people became adept at using the system.

While a few traditional training avenues were able to adapt, many could not due to Covid-19-related restrictions which limited the number for this year. Unfortunately, the limitations to training have knock-on implications for skills development and impacts the B-BBEE scorecard. Being hampered in such an important focus area is disappointing for us but our staff members were still able to advance their skills and expand their knowledge.

Labour and employment practices

Growthpoint is not a unionised environment but does not restrict employees' freedom of association. We intend to formalise this into policy. We comply with various labour laws, including the Basic Conditions of Employment Act, the Labour Relations Act, the Employment Equity Act, the Skills Development Act and the OHSA. Over and above legislation, we strive to be a good corporate citizen and have policies and processes in place to ensure that we offer equal or more favourable employment conditions than those required by law.

UNICEF's 2020 report on child labour points to a significant global increase of children working between the ages of five and 11. Growthpoint stands firmly against child labour, forced labour, slave labour and bonded labour. Indicators of forced labour can also include withholding identity papers, requiring compulsory deposits and compelling workers, with the threat of being fired, to work extra hours that they have not agreed to.

We are aware of the prevalence of these issues globally and will take the necessary steps to prevent such abuse within our organisation. All our employees are aged 18 years or above with an average age of 45.

HIV/Aids

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

Human rights

Growthpoint believes human rights are sacrosanct and is committed to upholding them, including the right to freedom from discrimination of any kind. Consequently, we introduced a human rights policy in FY21. In line with the country's constitution, we do not tolerate any form of hate speech and we believe every individual has the right to live the way they choose.

Furthermore, our commitment to human rights includes indigenous rights.

Society's recent powerful movement against systemic racism highlighted the need for all individuals, colleagues, friends and businesses to take a stand.

This has reinforced our commitment to creating a diverse and inclusive workspace, where every employee feels safe, and heard, and has equal opportunity to succeed. Racist conduct is a dismissible offence, and there were no related dismissals this year.

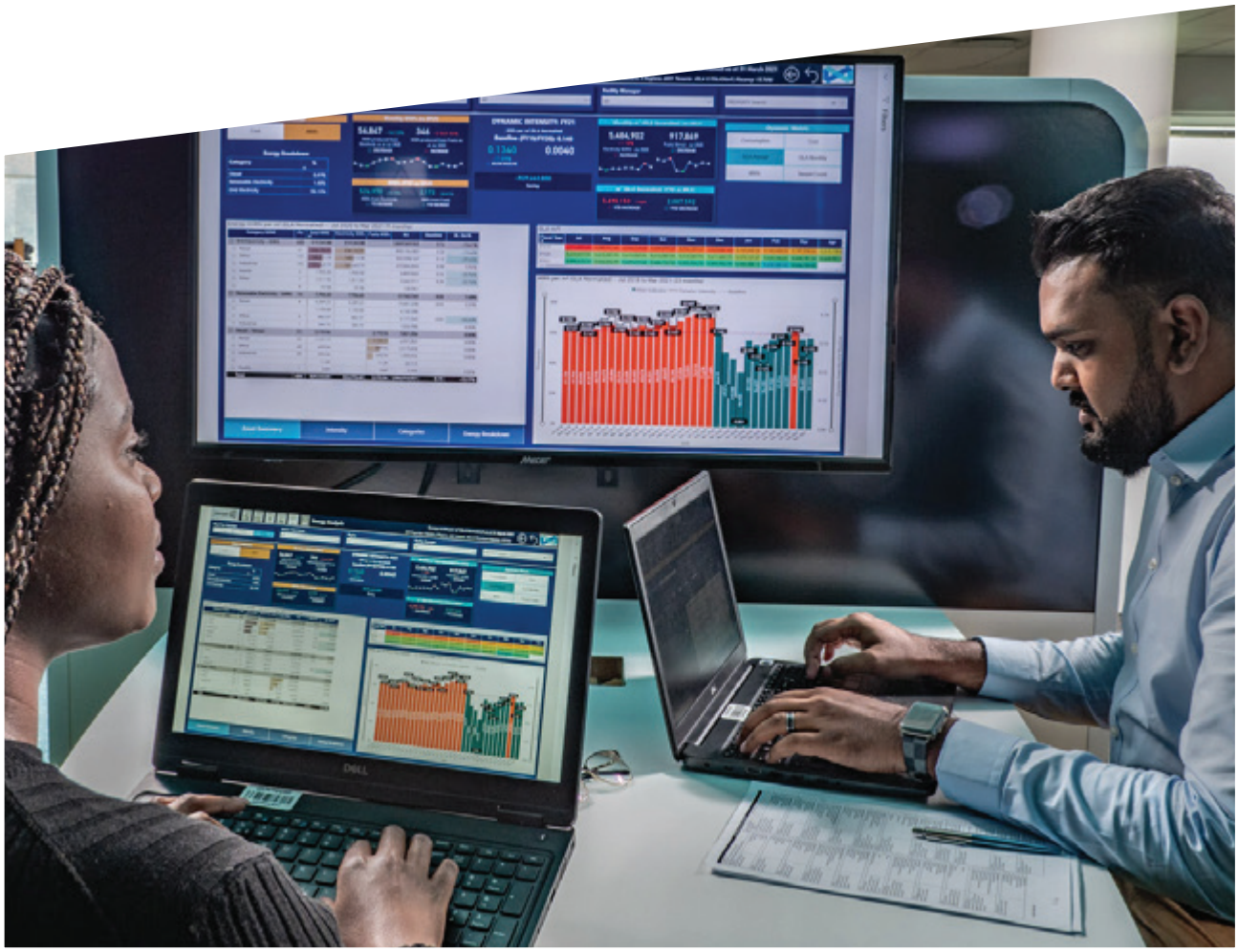
Employee assistance programme (EAP)

This voluntary, confidential programme helps our employees and their families work through various life challenges that may adversely affect their work performance and/or their health and personal wellbeing. Employee challenges include stress, financial issues, legal issues, family problems, office conflicts, alcohol and substance abuse.

Our EAP offers employees with personal and/or work-related concerns the opportunity to be assessed, counselled and referred for additional services. The programme also often works with management and supervisors to prepare employees for organisational change, legal contingencies and emergency planning and to help them respond to unique traumatic events.

The demand for the services provided through our EAP increased this year, signalling its value to our employees and we have made adjustments to suit the new operating environment we find ourselves in. The themes of counselling assistance provided include personal, interpersonal, work related, financial, primary healthcare and legal to mention a few.

We value our employees and are proud to offer a programme that not only supports them but optimises our success.



Corporate social responsibility

As responsible corporate citizens, we at Growthpoint align our actions with the objectives and needs of the communities in which we operate and have, during the pandemic, extended this outreach even further.

At Growthpoint we see our business as a force for good and know that, to be sustainable, our clients' businesses also need to be. The programmes and initiatives we have built over the years continue to significantly impact our clients and communities. Even through the pandemic we have helped to sustain small enterprises through rental relief and our support toward educational programmes which has delivered exceptional results. We have been faced with challenges with a changed environment but we have been able to quickly adapt.

Our core focus area for the year under review included educational initiatives, entrepreneurship development and staff engagement. We have extended our ECD practitioners training programme into KZN, continued to support bursary recipients at Christel House and funded the Protec programme in Limpopo for another three years. Furthermore, both the Growsmart and Growthpoint GEMS initiatives have accommodated and assisted learners with the digital shift in the education landscape.

Local community engagement has also been a priority for our enterprise development initiative, Property Point, and an engagement policy has been submitted for review. The businesses that are part of the Property Point incubation programme, as well as its alumni network, survived the difficult times, proving that the programme is effective in growing sustainable small businesses.

Corporate Social Investment projects

Early Childhood Development (ECD)

Growthpoint is committed to improving the quality of education in the country and has therefore funded the training of early childhood development centre practitioners for the past five financial years. In FY21, these initiatives were extended to provinces outside of Gauteng, with an additional programme initiated in Pietermaritzburg's Edendale township.

Christel House

Since 2018 Growthpoint has provided an educational scholarships for 30 learners at Christel House. The programme not only teaches leadership, but helps these learners develop positive values and embrace strong work ethics. More importantly, it aims to produce young people who are well equipped to make meaningful contributions to our country.

Our partnership with Christel House has yielded excellent results and we have committed to funding an additional 20 learners in the coming financial year.

Growthpoint's outlook towards corporate social responsibility has always been to focus on **driving sustainable impact for the communities** in which we operate. Our core focus areas have consistently been **supporting education initiatives, entrepreneurship development and staff engagement.**

Protec success story – Lishivha Shothodzo

The programme's top achieving learner was Lishivha Shothodzo who was also the seventh highest matric achiever in the Limpopo province in 2020. Growthpoint subsequently awarded her a bursary to study Actuarial Science at the University of Cape Town. She says the Protec programme was "incredible" and helped her through her Grade 10 to Grade 12 school journey.

"In my final year we faced challenges like Covid-19 but the programme supported me and made sure I had everything I needed to overcome these challenges. I also received guidance when choosing my career and this motivated me to do my best in everything. That's why today I'm considered the best.

I also received the Growthpoint bursary when I had no hope and this has changed my life. It has given me a chance to follow my dream and passion of becoming an actuary. I appreciate the support I have been given to make sure I keep doing my best."

National education programmes	
Eastern Cape	Growsmart iSchool Africa (Gqeberha)
KwaZulu-Natal	Midlands Community College (Nottingham Road) Alladin ECD (Pietermaritzburg)
Limpopo	Protec teacher development
Mpumalanga	Ntataise Lowveld Trust ECD
Gauteng	Botshabelo ECD
Western Cape	Growsmart
	Christel House
	React24
	NBI
National	GEMS, Growthpoint bursaries

Protec

In 2018 Growthpoint and Protec partnered in the initiation of its maths and science programme in Limpopo's Vhembe District. Previously we supported 40 learners from four schools which generated very positive results. Even though the area experienced challenges at the start of the Covid-19 pandemic, learners were able to overcome them. For the current financial year, we have supported a teacher maths and science development programme for the Vhembe District.

Growsmart

Since 2009 the Growsmart Educational Programme has been at the forefront of advancing learning experiences and behaviours for previously disadvantaged learners in Grades 4, 5 and 6. The programme is delivered in a fun and competitive format and the pandemic has not changed this.

While technology has always had a transformative impact on education, the rapid changes brought about by the Covid-19 lockdown significantly accelerated the process. Educators and learners were forced to step out of their comfort zones to continue teaching and learning and in doing so, they discovered new and innovative methods. Some learners – particularly those from well-resourced schools – did, however, adapt to the change better than others.

The programme's impact is far-reaching and it has, to date, helped more than 24 000 learners to achieve educational goals that might otherwise have not been possible.

In 2022, Growsmart will welcome two new learners to the *alumni* programme, both of whom received bursaries from the MAD Leadership Foundation and the Kay Mason Foundation.

Growthpoint GEMS

Our flagship youth development programme, Growthpoint GEMS, is designed to assist employees who could be classified as the "missing middle", in terms of their income.

Anchored on three pillars, the programme provides funding for tuition fees, stationery and uniforms. It also focuses on the development of students at both personal and leadership levels and offers psychosocial support to ensure a holistic approach to their development. This includes access to a wellness offering and financial advisers.

In FY21, the programme established a number of interventions to assist with the migration to online learning and establish an ecosystem of support. Both learners and their parents have access to mental health support and GEMS webinars that aim to empower parents who are raising "Generation Z" children.

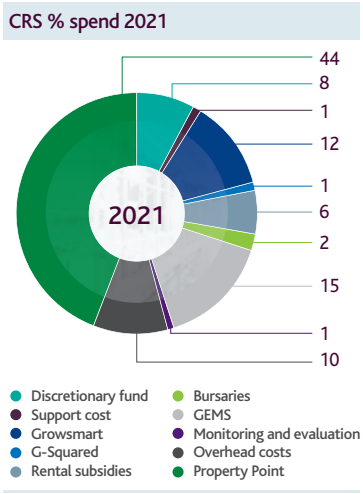
Corporate social responsibility *continued*

For the period under review, we allocated R7 030 481 to scholarships and development programmes for 96 learners from primary school to tertiary level. For the 2021 academic year, the annual qualifying cost-to-company (CTC) limit for the parents and guardians of Growthpoint GEMS recipients has been increased from R370 000 to R400 000. When the programme initially commenced in 2016, the qualifying CTC limit was R300 000 a year.

G-Squared

G-Squared (G^2) increases staff awareness of Growthpoint's involvement in community development and encourages and enables them to volunteer. Every staff member is allocated eight hours a year to take part in volunteer initiatives. During the period under review, our volunteered hours reached 329, with executive management actively participating. Due to the Covid-19 pandemic, interactive sessions were halted. However, in the spirit of active citizenry and in keeping with our values, many of our staff were inspired to make a difference in their own communities in various ways including online participation.

CSI beneficiary breakdown 2021



Enterprise and supplier development

Property Point is a small business development programme aimed at building South Africa's economy while addressing the many social issues affecting the country. It provides entrepreneurs with the business skills, training and personal development support they need to develop their enterprises into fully independent companies that can compete for opportunities in the market. Through this programme we have successfully carried out entrepreneurship development and focused on economic inclusion, with our overall goal being to contribute to economic and social change through independent, viable and sustainable businesses.

Over the past few years, we have also made a concerted effort to promote gender equality and advance women-owned businesses. In January 2021, we launched an all-women programme to move us closer to achieving our 2023 goal of having 70% of the businesses in our programme being women-owned.

Our current representation of women-owned businesses is 51%. Furthermore, we have adopted a talent management approach to ensure that business owners and their senior management teams are adequately capacitated to drive the operational aspects of the business.

Local Economic Development (LED) – is an enterprise development programme for SMMEs that assists us in developing small businesses in the communities where Growthpoint have invested in retail assets.

While this approach is not a departure from what Growthpoint has done in the past, much of it centres on localisation. An LED policy has been developed and will be submitted to the Board for approval. The Property Point team has also been involved in the following community engagement projects on behalf of Growthpoint Properties.

- The Dis-Chem extension project at Waterfall Mall, Rustenburg
- Festival Mall, Kempton Park
- Vaal Mall, Vanderbijlpark
- Property development, KZN

Outcomes

Mapping the green value chain in RSA and on the continent, we assist businesses to define their green value propositions. Potential clients may then buy services and products from these SMEs according to their own social and environmental values.

We also assist with possible certification for those who want to pursue further training and provide access to markets for green opportunities. Developing a pool of green specialists with specialist competencies, Property Point also utilises a customised in-house results chain framework that is benchmarked against the Donor Committee for Enterprise Development (DCED) standards for best practice.

July 2020 to June 2021:	
Number of SMEs supported	108
Number of SMEs graduated	46
Number of SMEs linked to market	48
Full-time jobs created	24
Jobs sustained	1 066
Total revenue generated	R190m
Women-owned SMEs	48.8%
Youth-owned SMEs	20.1%
Number of applications received	128
Growthpoint spend	R141m
Value of contracts outside Growthpoint	R10m
Total value of contracts	R151m

Internal audit

Growthpoint's policy is to provide and support an internal audit function that operates independently, objectively and in consultation with all necessary stakeholders.

A systematic, disciplined approach to evaluating and improving the effectiveness of our risk management, control and governance processes enables us to accomplish our objectives.

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

Our Head of Internal Audit and Risk Management is responsible for the internal audit function. His appointment, remuneration and removal are agreed upon in consultation with the chairmen of both the Audit and Risk Management committees. The Head of Internal Audit and Risk Management is a member of The Institute of Internal Auditors and an associate member of the South African Institute of Chartered Accountants and subject to the code of ethics of both professional bodies.

Authority

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

Responsibilities

The responsibilities of the internal audit function include:

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

Internal audit processes

The scope of the internal audit function and the assignments planned for the following financial year are presented, discussed and approved at the final Audit Committee meeting each financial year. The internal audit plan is based on an assessment of Growthpoint's key risk areas which are determined through the risk management process and its stated objectives.

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

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

Both executive and operational management are responsible for establishing and maintaining internal control systems to provide the Directors of Growthpoint with reasonable assurance that business objectives will be attained. The work of internal audit enables the Board and management to assess whether systems of internal control are both adequate and effective.

Adequacy is defined as being the situation when the key controls address the related significant inherent risks. Effectiveness is defined as being the situation when the key controls are operating as intended.

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