

FAIRVEST

PROPERTY HOLDINGS

KING IV™ ASSESSMENT QUESTIONNAIRE AND APPLICATION REGISTER © 2018

GOVERNING BODY ROLES AND RESPONSIBILITIES

KING IV™ PRINCIPLES AND GENERAL EXPLANATIONS OF THEIR APPLICATION

APPLICATION REGISTER

RESULTS OF APPLICATION

- 1. STEERS AND SETS STRATEGIC DIRECTION
- 2. APPROVES POLICY AND PLANNING
- 3. OVERSEES AND MONITORS
- 4. ENSURES CONSISTENCY

GOVERNING BODY ROLES AND RESPONSIBILITIES	KING IV™ PRINCIPLES AND GENERAL EXPLANATIONS OF THEIR APPLICATION	APPLICATION REGISTER	RESULTS OF APPLICATION
Leadership, ethics and corporate citizenship	Principle 1 The governing body should lead ethically and effectively.	LEADERSHIP ●	RESULTS OF APPLICATION OF KING IV™ GOVERNANCE OUTCOMES 1. ETHICAL CULTURE 2. PERFORMANCE AND VALUE CREATION 3. ADEQUATE AND EFFECTIVE CONTROL 4. TRUST, GOOD REPUTATION AND LEGITIMACY
	<p>The Board has various policies, processes and procedures in place to ensure that it is in a position to monitor and evaluate whether its individual members lead ethically and effectively. The Board and its committees are guided by duly approved Charters and Terms of References which clearly sets out the roles, responsibilities and mandate of each committee and its individual members. A formal evaluation process is conducted regularly in terms whereof the Board assesses its collective performance and that of its individual members. The focus of the evaluation process is to identify areas of improvement and enhance leadership. Individual members of the Board are also held accountable against the results of performance reviews and are held accountable for the achievement of strategic objectives. Policies and procedures had been adopted and implemented to govern the ethics of the organisation. The Board is planning an ethics survey during FY2018. The Board is satisfied that its practices and policies encourage ethical and effective leadership and believe that the exceptional financial results of the Company supports this statement.</p>	●	
	Principle 2 The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	ORGANISATIONAL ETHICS ●	
	<p>The tone for an ethical culture has been set from the top and the organisation governs and manages ethics through a Code of Conduct and Ethics policy and a Whistleblower policy. The Whistleblower policy makes provision for formal and anonymous whistleblowing processes. The organisation prides itself in building relationships by being honest in their dealings - this is regarded as cornerstone of an ethical business.</p> <p>There had been no instances of ethical transgressions during the reporting period.</p> <p>The monitoring of organisational ethics has been delegated to the Social and Ethics committee and a future focus will be to conduct an ethics survey within the organisation and re-communicate the Code of Conduct and Ethics policy and Whistleblower policy to all relevant stakeholders. The Board also plans to review both the policies to ensure it is fit for purpose and effective.</p> <p>The Board is satisfied that it governs the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	●	
Principle 3 The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	RESPONSIBLE CORPORATE CITIZENSHIP ●		
<p>The board has set direction for the approach in relation to corporate citizenship through the adoption of policies and procedures. The responsibility for monitoring corporate Citizenship has been delegated to the Social and Ethics Committee. The organisation is committed to good Corporate Citizenship and takes this in consideration in its decision making process. Areas of future focus will be to monitor corporate citizenship in more detail and subsequent reporting thereon. The Board is satisfied that its current practices, values and strategy of the organisation demonstrate that the organisation is a responsible corporate citizen.</p>	●		
Strategy, performance and reporting	Principle 4 The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	STRATEGY AND PERFORMANCE ●	
	<p>The board understand that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process. The board has reviewed and approved the short, medium and long-term strategy of the organisation and have incorporated key elements in the key performance indicators of the executive directors. Executive directors report on achievement of key performance areas at least quarterly to the Board.</p> <p>The board remains mindful that there are inter-dependent factors that impact on its strategy and those elements have been taken into consideration during its strategy formulation. The interdependencies have been reported on in the Integrated Annual Report in a transparent manner.</p> <p>The board is satisfied that it has adequately considered its core purpose, risks and opportunities, strategy, business model, performance and sustainable development as inseparable elements of the organisation's value creation process.</p>	●	
	Principle 5 The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	REPORTING ●	
<p>The board is satisfied that the reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.</p> <p>The integrated annual report, annual financial statements, King IV disclosures, materiality disclosures and any other external reports have been made available to stakeholders through publication on the Company website.</p>	●		
Principle 6 The governing body should serve as the focal point and custodian of corporate governance in the organisation.	PRIMARY ROLE AND RESPONSIBILITIES OF THE GOVERNING BODY		

Governing structures and delegation

The role, responsibilities and procedural conduct of the Board have been set out and approved in a Board Charter, which emphasises the Board's role as the focal point and custodian of corporate governance in the organisation. Committee charters, the Fairvest Procurement Mandate and various formal policies reinforce this position. The integrated annual report has disclosed meetings held and attendance and the Board's satisfaction in terms of meeting its responsibilities. The Integrated Annual Report also include a statement of satisfaction by each Board committee that it has fulfilled its responsibilities for the reporting period.



Principle 7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	COMPOSITION OF THE GOVERNING BODY
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The Board is satisfied that it has an appropriate balance of knowledge, skills, experience, diversity and independence. The Board considers its composition in terms of the balance of its members at least annually. This is done in conjunction with inputs from the Nomination and Remuneration Committee and the formal evaluation processes conducted at Board and Committee level. The integrated annual report has disclosed all recommended matters.



Principle 8:	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	COMMITTEES OF THE GOVERNING BODY
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All compulsory board committees have been established formally with board approved Terms of Reference. The Terms of Reference of all the Committees and the Board is under review to ensure it aligns to King IV. To further assist with the execution of its mandate, the Board established an Investment Committee. The Social and Ethics committee has a majority non-executive members, the Board is satisfied that the SEC was in a position to carry out its responsibilities in an effective manner and that there was a suitable balance of members and objective review and decision-making over their affairs. The Risk Committee is combined with the Audit Committee and areas of enhancement has been identified but the Board is satisfied that the ARC is effective and executes its mandate appropriately. The Board has considered and is satisfied with its committee structure, balance of authority across its Committees and their reporting standards. The integrated report contains appropriate governance and procedural disclosures relating to the Committees of the organisation which includes:

- disclosure of members, designation and chairperson;
- summary of key responsibilities;
- statement that the Committee was satisfied that it had executed on its mandate during the reporting period;
- confirmation that the Committee had an approved Terms of Reference.



Principle 9:	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	EVALUATIONS OF THE PERFORMANCE OF THE GOVERNING BODY
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Internal evaluation process had been followed and no material issued had been identified. The Board is committed to continuous improvement. The Board is satisfied that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness but have identified areas of improvement and/or enhancement. The new methodology is planned to be tabled at the next NomRem meeting for discussion and recommendation to the Board. The Integrated Annual Report discloses the following in relation to the performance of the Board:

- description of scope, formality and facilitator of evaluations for reporting period;
- overview of evaluation results and remedial actions;
- statement of satisfaction to improving performance and effectiveness



Principle 10:	The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	APPOINTMENT AND DELEGATION TO MANAGEMENT
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The governing body is satisfied that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities. The board identified areas of improvement and plan to address those areas within the next financial year to enable the Board to report on progress in the IAR2019



Principle 11	The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	RISK GOVERNANCE
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Governance and functional areas

The board govern risk in a way that supports the organisation in setting and achieving its strategic objectives and regards risk management as a key business process. Risk management has been delegated to the Audit and Risk committee. The Audit and Risk committee review risk every quarter and report to the board on material risks and mitigation plans. The Board has identified a few areas of enhancement to further strengthen the Company's risk management process. The Board is committed to developing, implementing and maintaining strategies to minimise risks and to ensure growth of the Company for the benefit of all its stakeholders. There were no material risks identified during the reporting period which could have a disastrous impact on the Company and all risks have mitigation plans in place. During the reporting period there were no unusual or unexpected risks which had a significant impact on the Company.



Principle 12:	The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	TECHNOLOGY AND INFORMATION GOVERNANCE
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The board is satisfied that, given the nature of the business, it governs technology and information in a way that supports the organisation setting and achieving its strategic objectives. A risk management process is in place which takes into account the governance of Information Technology. Risk reviews are reported by the management team to the Audit and Risk committee and the Board continually. The majority of the IT functions are outsourced to external service providers and managed through contracts. The Company always seek to secure partnerships where access to the latest technology is a key consideration. Disaster recovery plans are regularly reviewed to limit the impact on that disruptions will have to critical management information and continuing operations. The Board has identified areas of improvement and plan to formalise an Information and Technology Plan during the course of FY19.



Principle 13:	The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	COMPLIANCE GOVERNANCE
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The board is satisfied that compliance with applicable laws, codes and standards is governed in such a way that supports the organisation being an ethical and a good corporate citizen. Compliance management is governed through practice, annual work plans, risk management processes, reports from the Company's asset managers and reports from its Committees. The monitoring of governance and compliance has been delegated to the Audit and Risk Committee. There have been no material or repeated regulatory penalties, sanctions or fines imposed on the organisation, the Board, its members or officers for any contravention of, or non-compliance with, statutory obligations. There have been no non-compliance findings in relation to environmental laws during the reporting period.



Principle 14:	The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	REMUNERATION GOVERNANCE
<p>The board is satisfied that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. The remuneration approach is steered with the Remuneration policy and an independent benchmark exercise had been conducted to ensure that the Company remunerates fairly and responsibly. The responsibility for monitoring remuneration has been delegated to the Nomination and Remuneration Committee. The Company has a unique remuneration structure in that the only executive paid by the Company, is the CFO. There are no long-term incentive schemes yet but a review of the Company's remuneration policy is planned for October 2018. The current remuneration structure is regarded as fit for purpose at this point in time and the Company remain committed to remunerate to encourage growth and sustainability of the business.</p>		●
Principle 15:	The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	ASSURANCE
<p>The board is satisfied that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports. There are effective and efficient business processes in place to ensure the integrity of information. The Board has set the direction for how assurance services and functions should be approached and addressed through the delegation of the responsibility to its Audit and Risk Committee. There has been no material internal control failures and the Board is committed to continuously improve on its processes. The model for internal and external control environment assurance processes and providers are assessed frequently by the Board and its Audit and Risk Committee.</p>		●
Principle 16:	In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	STAKEHOLDERS
Stakeholder relationships	<p>The Board is satisfied that, In the execution of its governance role and responsibilities, a stakeholder-inclusive approach had been taken that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time. The organisation's stakeholders had been identified as well as a direction for how stakeholder relationships should be approached and conducted. The Company engages with its stakeholders frequently, and such engagement include:</p> <ul style="list-style-type: none"> • Shareholders: Roadshows, one on one meetings, website, media announcements • Funders: One on one meetings, bi-annual results presentations, property site visits • Tenants: Site visits, Meetings, operational notices • Employees: One on one meetings, strategy presentations, training and development • Local communities: CSI initiatives, Marketing and promotional activities at Fairvest properties • Government and regulators: Communication, filing of regulatory documentation • Suppliers: One on one meetings, Procurement process <p>The Board is satisfied that its stakeholder inclusive approach had been managed in a fair and transparent manner and will further enhance its application of this principle with the review and formalisation of a Stakeholder Management Policy during 2019.</p>	●

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LEGEND:

- Satisfactory application
- Suitable application – areas identified where application of principles could be enhanced
- In progress, reasonable application – some areas require attention
- In progress, reasonable application – some areas require focused attention
- Requires substantial focus
- Progressing but requires focus
- Not applicable