

DIPULA INCOME FUND LIMITED

Registration number 2005/013963/06

("Dipula" or "the company" or "the group")

APPLICATION OF KING IV REPORT ON CORPORATE GOVERNANCE 2016("2016")

Dipula has mindfully interpreted and applied King IV in a manner that is appropriate for the organisation and the REIT sector in which it operates. To this end, the board has adopted an appropriate governance framework for the group. The board of directors of Dipula ("board") oversees the implementation of the governance framework, which it believes has resulted in the group being a good corporate citizen and achieving an honest and ethical culture, good performance, effective control within the organisation and legitimacy with stakeholders.

Dipula's application of King IV is illustrated below (and should be read with the Governance report contained in the 2018 Integrated Annual Report):

King IV principle	Practice
Principle 1 The governing body should lead ethically and effectively	<p>The board has instilled a strong ethical culture, which flows through to executive management. The executive management team has a "hands-on" asset management approach and ensures that the company's ethical principles and business practises are implemented by staff. The group associates itself with business partners and service providers with similar ethical values.</p> <p>Board members are aware of their fiduciary duty in terms of the Companies Act, 2008 to act in good faith and in the best interests of the company, at all times.</p> <p>The chairperson of the board is responsible for the effective operation of the board and ensures that the behaviour of board members is in accordance with Dipula's code of ethics.</p> <p>Regular performance evaluations of the chairperson, the board and its committees are used to assess their effectiveness.</p>
Principle 2 The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	<p>Refer to principle 1 above.</p> <p>Directors and staff are required to adhere to the group's code of conduct, which is reviewed annually by the social and ethics committee. Dipula does not tolerate any form of bribery or corruption. The social and ethics committee has an increased responsibility for the monitoring of good corporate citizenship and the management of ethics and for ensuring that anti-corruption and anti-fraud principles are adhered to.</p> <p>The implementation and monitoring of the code of conduct is the responsibility of the executive management team and has been included as a key performance indicator for both the chief executive officer and financial director in the calculation of their short and long term incentives.</p> <p>The code of conduct deals with the company's ethical values, its business conduct and how people should be treated. It commits to a</p>

	<p>workplace free from any kind of discrimination, harassment or intimidation of employees.</p> <p>It explains the nature of conflicts of interests and requires for any real or perceived conflict of interest, to be disclosed as soon as possible. General declarations of interests are made by board members annually and updated throughout the year.</p> <p>Procedures, which include, but are not limited to an independently managed whistle-blower line, may be utilised to bring any unethical business practices to the attention of the board and its committees. Investigations are carried out and findings reported, and disciplinary, civil or criminal action is taken as and when appropriate.</p>
<p>Principle 3 The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen</p>	<p>The board oversees the implementation of the governance framework, which it believes has resulted in the group being a good corporate citizen and achieving an honest and ethical culture, good performance, effective control within the organisation and legitimacy with stakeholders.</p> <p>The social and ethics committee is a statutory committee of the board. The committee oversees and reports on the following:</p> <ul style="list-style-type: none"> • The group’s organisational ethics in-line with the group’s adopted code of conduct. • Responsible corporate citizenship, including the promotion of equality, the prevention of unfair discrimination, the environment, health and public safety, including the impact of the company’s activities and of its products or services. • Socio and economic development. • Employment relationships. <p>The company has a high level of employment equity compliance, remunerates its staff fairly and has a good health and safety record.</p> <p>Employees are developed within the group and receive regular training on relevant matters.</p>
<p>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</p>	<p>The board is accountable to its stakeholders for the group’s performance and activities. In order to achieve its responsibility for the sustainable success and overall control of the group, the board has approved the group’s governance framework, policies and its strategy, the implementation of which has been delegated to executive management and is monitored by the board, through detailed quarterly reporting to the board and its committees.</p> <p>The board, in-line with the board charter:</p> <ul style="list-style-type: none"> ▪ reviews the group’s strategy and business model annually to ensure that it meets the group’s core purpose; ▪ monitors performance against strategy; ▪ considers the group’s risks and opportunities and the extent of the risks and opportunities that the group is willing to take in pursuit of its strategic objectives.

<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, its short, medium and long-term prospects</p>	<p>The board and each of its sub-committees approves in advance a work programme for the year ahead. All reports required to be distributed to shareholders are included in the programme. Ad hoc announcements released on the JSE's SENS system are, if required, reviewed by the board. Executive management strives to release information to stakeholders in a simple, clear and transparent manner to ensure that information is easily understood and engages with stakeholders on any queries raised.</p> <p>The board and its sub-committees collectively reviews the integrated annual report in order to ensure that it addresses material matters to its stakeholders in the short, medium and long term and ensures that all reports are issued in compliance with the relevant codes and legal requirements.</p> <p>The board annually signs off on a JSE compliance certificate verifying that to the best of its knowledge, the company has complied with all the JSE Listings Requirements.</p>
<p>Principle 6 The governing body should serve as the focal point and custodian of corporate governance in the organisation</p>	<p>Refer to principle 1 above.</p> <p>The board is responsible for corporate governance. Various policies and procedures have been implemented to support good governance in the group.</p>
<p>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</p>	<p>By the appointment of independently strong minded directors to its board and by separating and clearly defining the roles and responsibilities of the chairperson and the chief executive officer, as set out in the board charter and the group's levels of authority, it ensures a balance of power and authority and precludes any one director from exercising unfettered powers of decision making.</p> <p>The board is comprised of a majority of independent non-executive directors with varied skills and experience. The board comprises 71% black members.</p> <p>The board has adopted a formal race and gender diversification policy. The board recognises that diversity of skill, experience, background, knowledge, thought, culture, race and gender strengthens its ability to effectively carry out its duties and add value to the group. The nomination committee considers these factors when evaluating candidates for appointment to the board. The board has committed to ensure female representation on the board of at least 25% by 2020.</p> <p>The composition of the board, independence, experience, race and gender, together with summarised curricula vitae can be found in the 2018 integrated annual report.</p>

<p>Principle 8 The governing body should ensure that its arrangements for delegation within its own structures promote independent judgment, and assist with balance of power and the effective discharge of its duties</p>	<p>See principle 7 above.</p> <ul style="list-style-type: none"> ▪ Dipula’s Memorandum of Incorporation delegates shareholders’ authority to the board, with the exception of a few selected matters, for consideration by shareholders. ▪ The board has delegated certain matters to its committees as set out in their respective terms of reference. ▪ Executive management operate within defined levels of authority that is reviewed by the board annually.
<p>Principle 9 The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and individual members, support continued improvement in its performance and effectiveness</p>	<p>Refer to principle 7 and 8 above.</p> <p>In accordance with King IV, performance assessments of the board, its committees, chairperson and individual members are conducted regularly.</p> <p>An internal evaluation of the effectiveness of the board and its committees was conducted during the 2018 financial year. No material concerns were noted. For further information, please refer to the governance report included in the 2018 integrated annual report.</p>
<p>Principle 10 The governing body should ensure that the appointment of, and the delegation to, management contributes to the role clarity and the effective exercise of authority and responsibilities</p>	<p>The appointed chief executive officer is Mr IS Petersen. He is responsible for executing strategy and the daily running of the business.</p> <p>The annual performance of executive management is measured by pre-approved financial and personal key performance objectives. These measurements clearly define expectations and assists with role clarity.</p>
<p>Principle 11 The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives</p>	<p>Refer to principle 4 above.</p> <p>The board has adopted an enterprise-wide approach to risk management. The process of identifying and managing risks has been delegated to the audit and risk committee. The audit and risk committee determines the group’s risk appetite and tolerance levels. It recognises the material issues that could impact on achieving the group’s strategic outcomes and manages those risks in accordance with the group’s risk management plan. Opportunities are also recognised and acted upon, if appropriate.</p>
<p>Principle 12 The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives</p>	<p>The audit and risk committee oversees the governance of information technology (“IT”). Management is responsible for monitoring head office and property management IT. The Financial Director is responsible for IT matters in the company and engages with various service providers to ensure that adequate IT hardware and software systems are in place and are functioning as required. Effective storage and backup processes are also maintained and regularly monitored.</p> <p>Duly executed service level agreements are entered into with external IT providers to set maximum performance standards.</p>

<p>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</p>	<p>The board is responsible for and strives to comply with all applicable laws and regulations to the best of its ability. Compliance is an ethical imperative and is monitored by the audit and risk committee and, in applicable instances, by the social and ethics committee and reported to the board.</p> <p>A legal universe compliance framework is in place. New legislation impacting on the group is discussed at board meetings. The board is assisted in this regard by the company secretary, internal legal manager and external legal advisors. The board makes use of external company secretarial services. The company secretary has sufficient expertise and competence to be able to provide independent and professional corporate governance services and advice to the group.</p>
<p>Principle 14 The governing body should ensure that the organisation remunerates fairly, responsibly and transparent so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term</p>	<p>The remuneration committee is responsible for overseeing the group's remuneration policy and practises. It is the company's objective to create a strong performance orientated culture, where exceptional individual contribution is recognised and rewarded fairly. Dipula is of the view that suitably designed, responsible, fair and competitive remuneration is imperative in driving and retaining top calibre executives and staff, whose interests are aligned with stakeholders and who positively contribute to the implementation of the company's strategic objectives. Refer to page 64 to 72 of the 2018 integrated annual report containing the 2018 remuneration report.</p>
<p>Principle 15 The governing body should ensure that assurance services and functions enables an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation'</p>	<p>Assurance is obtained by management oversight, compliance with the company's risk management framework and independent and objective assurance by the audit and risk committee supported by external and internal audit.</p> <p>The internal audit function is outsourced to an independent internal auditor who reports directly to the audit and risk committee and has unrestricted access to the committee's chairperson.</p> <p>Assurance is obtained on the group's results from the external auditor. The group's property portfolio is valued by an independent valuer.</p> <p>Assurance is obtained on the group's B-BBEE rating from an independent rating agency.</p>
<p>Principle 16 In its execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interest and expectations of material stakeholders with the best interests of the organisation over time</p>	<p>The board recognises that good governance and strong, strategic and ethical leadership create shareholder value and confidence.</p> <p>The importance of developing and nurturing positive and stable relationships with key stakeholders is recognised as a driver of business success.</p> <p>The social and ethics committee is the custodian of the group's commitment to responsible corporate citizenship. Dipula's code of conduct guides directors' relationships with and commitment to stakeholders. Details of stakeholder engagement is set out in the 2018 integrated annual report.</p>