



HYPROP

2023 King IV™  
application



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The Board recognises the value of, and supports a holistic approach to, corporate governance and the application of the King IV™ principles. These principles are integrated into the Group's governance structures, policies and practices to ensure an ethical culture, effective control, good performance and legitimacy.

This document sets out the application of the principles in King IV™ with a commitment to continuously improving governance practices across the Group. This document should be read in conjunction with the Group's Integrated Annual Report (IAR), Annual Financial Statements (AFS) and ESG report for the year ended 30 June 2023 (FY2023) which are available on our website at [www.hyprop.co.za](http://www.hyprop.co.za).

The Company's application of the King IV™ principles is as follows:

### 1

#### **The governing body should lead ethically and effectively.**

The Board leads the Group ethically, effectively and responsibly. Board members individually and collectively demonstrate the Group's core values - collaboration, execution, responsibility, integrity and creativity - to provide effective leadership, which, together with management helps safeguard stakeholder value creation.

Board members complete a detailed disclosure of interests annually. Declaration of interests is a standing agenda item at all Board and Board Committee meetings.

The Group's code of conduct and ethics constitutes a formally documented policy to guide and entrench an ethical and values-based culture across the Group. The Social and Ethics Committee monitors all ethical requirements. Key matters arising from its oversight function are reported to the Board.

During FY2023, the Board reviewed the Group's code of conduct and ethics to ensure it adheres to the highest standards of ethics and corporate behaviour.

The Board's, and its standing committees' (the Audit and Risk, Remuneration, Nomination, Investment and Social and Ethics Committees (the Board Committees)), performance is formally evaluated against their respective mandates. A consolidated summary of the evaluations is reported to and discussed by the Board, including any actions required. The FY2023 evaluation confirmed that the Board and Board Committees had functioned well and discharged their duties in accordance with their mandates and terms of reference, and that Board members, collectively and individually, effectively discharged their governance roles.

### 2

#### **The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.**

The Board sets the tone, oversees the management of ethics and ensures that governance outcomes are aligned with those envisaged by King IV™. Hyprop's values, code of conduct and ethics and related policies encompass Hyprop's interaction with internal and external stakeholders and broader society. Hyprop's business dealings comply with applicable laws and proper regard for ethical business practices.

Management teams understand and apply the code of conduct and ethics and reference to the code is included in new employee contracts and induction processes. Contractors, agents and consultants who work with the Group are expected to follow the same standards of business conduct. These are outlined in our supply chain code of conduct.

The following policies are in place to guide and strengthen our ethical culture, supported by training programmes and annual awareness campaigns to promote compliance:

- Code of conduct and ethics
- Anti-corruption and bribery policy
- Harassment in the workplace policy
- Gifts, entertainment and hospitality policy
- Diversity policy
- Remuneration policy
- Whistleblowing policy and procedure
- Supplier code of conduct

An independent whistleblowing help line operated by an external service provider enables the anonymous reporting of ethics incidents, and reports are sent directly to the Chairperson of the Social and Ethics Committee. The Group received two new reports (2022: zero new reports) through its whistleblowing help line in FY2023. The reports were investigated and resolved by management.

### 3

#### **The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.**

Hyprop's purpose, values and strategy are aligned with the principles of responsible corporate citizenship, which are integrated into the Group strategy. The Board has delegated responsibility for monitoring the Group's corporate citizenship performance to the Social and Ethics Committee.

Our sustainability framework defines our commitment to five of the United Nations Sustainable Development Goals (SDGs) and informs our strategic and operational initiatives to ensure the Group's impact, including on the environment and the communities around our shopping centres, is appropriately managed to create and protect value for our stakeholders. Further information on our environmental and corporate social responsibility initiatives is included in the ESG section of the FY2023 IAR.

## 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.**

The Board is responsible for Hyprop's performance, provides strategic direction and oversees the adoption of the strategy formulated by management. Annually, the Board approves the strategy, objectives and budget for the ensuing financial year. It establishes Key Performance Deliverables (KPDs) covering operational, financial and ESG measures against which it assesses performance. Performance is monitored through regular financial updates, business segment progress reports and presentations at Board meetings. Refer to the FY2023 AFS and IAR for further information on our business model, strategy, risks and performance.

## 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.**

The Audit and Risk Committee, and ultimately the Board, is responsible for overseeing Hyprop's reporting and approving management's determination of reporting frameworks and materiality. The International Integrated Reporting Framework (endorsed by King IV™) and the Sustainable Development Goals guide the preparation of the IAR, while financial reporting is done in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

To assist the Board in ensuring the integrity of the IAR and AFS, the Audit and Risk Committee reviews these reports prior to recommending them to the Board for approval. The Group's external auditor, KPMG Inc., audits or reviews, as appropriate, external financial reporting and material non-financial information included in the IAR. The Company's B-BBEE scorecard is issued by Empower Logic.

General and investor information is published on the corporate website ([www.hyprop.co.za](http://www.hyprop.co.za)) and, when necessary, on the Stock

Exchange News Services (SENS). The CEO, supported by the Group's investor relations and communications department, oversees stakeholder communication and represents the Group. Feedback from investors and other stakeholders is communicated to the Board and guides our reporting objectives.

## 6

**The governing body should serve as the focal point and custodian of corporate governance in the organisation.**

The Board has ultimate accountability and responsibility for the performance and affairs of the Group, including good governance practices. The Board's role, responsibilities, membership requirements and procedural conduct are documented in its charter. The Board charter and Board Committees' terms of reference are reviewed regularly to ensure they are appropriately aligned with the principles of King IV™. Annual work plans are developed in accordance with the charters/mandates/terms of reference.

## 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.**

The composition of the Board (including member rotation) is reviewed annually by the Nomination Committee, which makes recommendations to the Board. The Nomination Committee takes into account the balance of skills, experience, background, culture, race, age and gender of Board members and as part of its review specifically considers progress made in promoting Board diversity. Should a Board vacancy arise, the Nomination Committee will, through any appointment/s, endeavour to ensure the Board has a meaningful combination of skills, diversity and experience.

The Nomination Committee is responsible for formal succession plans of the Board, the CEO and the executive directors. In the annual review of Board and Board Committee composition, succession planning, including upcoming retirements, are considered and, where appropriate, new appointees are identified. The nomination, election and appointment processes are formal and transparent and include a fit-and-proper test for any new appointees.

The Governance Report included in the FY2023 IAR outlines each Board member's categorisation, qualification, experience, age and period of service. Details of other governing bodies or professional positions held are set out in the ESG data pack available at [www.hyprop.co.za](http://www.hyprop.co.za).

## 8

**The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and the effective discharge of its duties.**

The Group's governing structure and delegations of authority promote and enhance independent judgement to ensure a clear balance of power and authority is maintained at Board level. The Board delegates certain responsibilities to the Board Committees as outlined in each Board Committee's Terms of Reference (ToR). Certain matters are reserved for the Board as well as shareholders, which aligns with the regulatory environment in which the Group operates. The Board Committees fulfil key roles in ensuring good corporate governance.

In determining responsibilities delegated to the Board Committees, the Board is guided by legal and regulatory requirements, the recommendations of King IV™, specialised skill requirements and what is appropriate for Hyprop. The responsibilities and composition of Board Committees are detailed in the ESG report in the FY2023 IAR. Delegating responsibilities does not discharge the Board's accountability and its collective experience is applied to information, opinions, recommendations, reports and statements presented to it, including from the Board Committees. The Board receives formal feedback from the chairperson of each Board Committee at each Board meeting. Board Committees also report to stakeholders annually, in the IAR and/or at the AGM if required.

Members of the executive and senior management are invited to Board Committee meetings to provide information and insights in their areas of responsibility. A Board member is entitled to attend any Board Committee meeting as an observer, subject to agreement by the chairperson of that Board Committee. However, they do not have a vote at such meetings.

The external audit partner, internal auditors and risk support functions have unrestricted access to the chairperson of the Audit and Risk Committee, which meets separately with the external and internal auditors.

## 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.**

The Board's, and the Board Committees', performance was formally evaluated against their respective mandates in FY2023. The evaluation assessed the combination of directors' skills, performance during the year and effectiveness. Evaluation results provide the basis for enhancements to the Board and the Board Committees for the following year.

The Board chairperson oversees a formal implementation plan to address potential improvement areas identified by the performance evaluations.

## 10

### **The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities.**

A clear division of power exists between the roles of the CEO and chairperson in terms of the Board charter. The Board reviews and approves the delegation of authority annually, which includes authorities delegated to the CEO, other executive directors and management.

The Board approves the appointment of the CEO, CFO and CIO. Clear short-term and long-term KPDs are set for the CEO, CFO and CIO and the Remuneration Committee considers the performance of the executives against the KPDs annually.

The Audit and Risk Committee considers the performance of the CFO and the finance function annually and reports the outcome of its assessment in the Audit and Risk Committee report in the AFS.

The Board appoints the Company Secretary, whose office is empowered and carries the necessary authority. The Company Secretary has the necessary competence, gravitas and objectivity to provide independent guidance and support.

## 11

### **The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.**

Hyprop has a Board-approved risk management framework, which sets policy, risk appetite and tolerance levels, identifies material risks and opportunities, and ensures ongoing risk oversight and monitoring in a way that supports the Group's strategic objectives and the creation and protection of stakeholder value.

The Audit and Risk Committee oversees risk management on behalf of the Board, by reviewing the enterprise risk management process which covers strategic, financial, operational, information technology and regulatory compliance risks, as well as responses in place to address these risks. The responsibility for monitoring and implementing risk management is assigned to executive management and each portfolio/business unit's management team. This is subject to a bi-annual top-down review by the portfolio risk committees (including information technology) to ensure the completeness and rigour of risk identification and mitigating actions.

Opportunities are identified and reported through various governance structures as part of the oversight process. Risks and opportunities are considered in setting the strategy, annual business plans and budgets.

## 12

### **The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.**

The effective use of data, information and technology is crucial to achieving the Group's strategic objectives and sustainable growth.

The Board has delegated the governance of information and technology to the Audit and Risk Committee, which is assisted by the information technology risk committee. Executive responsibility lies with the CFO and Head of IT.

An information and technology policy that addresses the governance of information and technology in line with the recommended practices of King IV™ is in place. The information technology risk committee oversees the implementation of the information and technology governance framework and management of related risks, which are reported to the Audit and Risk Committee through the CFO/Head of IT.

Disaster recovery and business continuity plans are in place and are tested regularly. Additionally, the information and technology function proactively monitors and responds to cyber incidents. Cybersecurity measures are in place.

Internal audit, together with other assurance providers, reviews and makes recommendations to address shortcomings and ensure continuous improvement in the general IT control environment.

## 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.**

The Board subscribes to full compliance with applicable laws and regulations in the jurisdictions in which the Group operates. Complying with the Company's MOI and all applicable legislation (including the Companies Act), regulations, standards and codes is integral to the Group's culture.

The Board delegates responsibility for compliance to executive management and monitors this through the Board Committees, which exercise oversight of legal compliance in the areas falling within their ToRs.

The standards/expectations for compliance are set out in various Group policies and standard operating procedures. The internal auditors and other independent assurance providers provide assurance that governance and internal control processes are operating effectively. There were no material adverse findings from the internal audits conducted in FY2023. The overall control environment is considered satisfactory.

The legal and compliance function assesses the impact of proposed legislation and regulations and any other material regulatory issues, which may be escalated to the Board Committees if appropriate.

There were no material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations imposed on Hyprop. Hyprop is in good standing with SARS regarding its tax compliance status.

The Board is satisfied with the progress being made in terms of B-BBEE and Employment Equity compliance.

# 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.

The Board has delegated establishing and overseeing execution of the remuneration policies to the Remuneration Committee, which reviews the remuneration policies and practices annually to ensure that they remain competitive, relevant, fair and responsible. The Remuneration Committee reports to the Board on its activities and makes recommendations where required.

The remuneration policy adopts a total reward philosophy, promotes the delivery of Hyprop's strategic objectives, encourages team and individual performance and rewards the role of employees and teams in building long-term sustainable value through fair and balanced remuneration. The FY2023 Remuneration philosophy and policy, and Implementation report can be found on [pages 73 to 93](#) of the IAR. The policy sets out all elements of remuneration and is aligned to the recommendations of King IV™ and best practice.

The Remuneration Committee recommends the fees payable to non-executive directors to the Board for final approval by shareholders by special resolution at the annual general meeting (AGM), as required by the Companies Act. The remuneration policy and implementation report are tabled annually for non-binding advisory votes by shareholders at the AGM. At the AGM held on 25 November 2022, the Remuneration policy and Implementation report received 91.1% and 83.8% respectively of the votes cast at the AGM in favour of the resolutions.

# 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.

The Audit and Risk Committee and the Board oversee that assurance services and functions enable an effective control environment and support the integrity of information for internal decision-making

and external reports. Furthermore, each Board Committee reviews and approves their reports or relevant sections in the IAR falling within their ToRs. The Board approves the IAR, AFS and other key external reports.

The internal audit service providers report on the internal control environment to the Audit and Risk Committee. The scope and approach of the internal audit plan is approved annually by the Audit and Risk Committee, and is informed by the Group's strategy and risks. The Audit and Risk Committee reviews the performance, resources and skills of the internal audit service providers on an annual basis to ensure they meet the Group's assurance requirements and expectations.

The Board and Board Committees, in determining if they have adequate and sufficient assurance regarding key risks, use a combination of appropriate assurance providers and functions as part of a combined assurance model. The combined assurance model is based on King IV™'s "Four Lines of Defence" - Line functions (1<sup>st</sup> line), specialist functions (2<sup>nd</sup> line), independent assurance providers (3<sup>rd</sup> line) and independent external assurance providers (4<sup>th</sup> line).

The Board is satisfied that the combined assurance model is effective and sufficiently robust for it to rely on for purposes of the statements that the Board makes concerning the integrity of the Group's external reports.

# 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.

The Board is responsible for the governance of stakeholder relationships and is assisted by the Social and Ethics Committee. Our inclusive approach to managing stakeholder relationships aims to balance the Group's objectives with our stakeholders' needs, interests and expectations.

To support the Board in fulfilling its governance role, the Social and Ethics Committee receives reports on stakeholder management and the Board is regularly apprised of interactions with key stakeholders, including shareholders, financial analysts and national tenants. An overview of our stakeholder engagement appears in the IAR.

Directors attend the AGM and are available to respond to queries on the Board's execution of its governance duties.