

# KING III CORPORATE GOVERNANCE COMPLIANCE REGISTER

## CHAPTER 1: ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

PRINCIPLE	HOW PRINCIPLE IS APPLIED	REASON FOR NON-COMPLIANCE
1.1. The board should provide effective leadership based on an ethical foundation	Indluplace's board considers ethical leadership and sound corporate governance practices to be a critical element in delivering sustainable growth for stakeholders. In conducting the affairs of the company, the board endorses the principles of fairness, responsibility, transparency and accountability advocated by King III.	-
1.2. The board should ensure that the company is and is seen to be a responsible corporate citizen	A formally appointed social and ethics committee of the board has been constituted to assist the board with social and ethics related matters.	-
1.3. The board should ensure that the company's ethics are managed effectively	The social and ethics committee will monitor the company's ethics and endeavour to ensure that such ethics pervade the culture of the company.	-

## CHAPTER 2: BOARD AND DIRECTORS

PRINCIPLE	HOW PRINCIPLE IS APPLIED	REASON FOR NON-COMPLIANCE
2.1. The board should act as the focal point for and custodian of corporate governance	Indluplace's board considers sound corporate governance practises to be a critical element in delivering sustainable growth. The board recognises that it is the ultimate custodian of corporate governance.	-
2.2. The board should appreciate that strategy, risk, performance and sustainability are inseparable	The directors of the company subscribe to the principle that they have accountability to shareholders and an obligation to all stakeholders (including shareholders), to ensure that the company's resources are utilised to ensure its continuing viability. The board appreciates that strategy, risk, performance and sustainability are inseparable.	-



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2.3. The board should provide effective leadership based on an ethical foundation	Please refer to principle 1.1 above.	-
2.4. The board should ensure that the company is and is seen to be a responsible corporate citizen	Please refer to principle 1.2 above.	-
2.5. The board should ensure that the company's ethics are managed effectively	Please refer to principle 1.3 above.	-
2.6. The board should ensure that the company has an effective and independent audit committee	Indluplace's audit and risk committee is integral to the company's risk management process. The committee consists of three independent non-executive directors. The CEO, COO and CFO as well as representatives of the external auditors attend the meeting by invitation. All the members have the necessary skills and experience required. The committee has unrestricted access to independent expert advice should the need arise.	-
2.7. The board should be responsible for the governance of risk	The board oversees the management of risk and has delegated the process to the audit and risk committee. The committee monitors the adequacy and effectiveness of the company's internal and risk management process generally.  The company has an effective ongoing process for identifying risk, measuring its potential impact and initiating and implementing measures to reduce exposure to an acceptable level.	-
2.8. The board should be responsible for information technology (IT) governance	The board believes that its IT governance policy is appropriate. Use is made of external specialists (including the resources of the external property managers) in respect of the IT functions.	-
2.9. The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Nothing has come to the attention of the board that the company has not complied with applicable laws. The company has an in-house legal resource and regularly communicates with its external advisors so as to keep abreast of regulatory and legal requirements and amendments.	-
2.10. The board should ensure	-	Having regard



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that there is an effective risk-based internal audit		to the size and life-stage of the company, a dedicated internal audit function is not warranted at this stage. Use is made of external specialists (including resources of the external property managers) in respect of the internal audit function. The situation in this regard will be reassessed by the audit and risk committee on a regular basis.
2.11. The board should appreciate that stakeholders' perceptions affect the company's reputation	The board of directors believes that stakeholders perceptions are of critical importance and to this end the board regularly communicates with a cross section of stakeholders in order to gauge perception.	-
2.12. The board should ensure the integrity of the company's integrated report	The audit and risk committee will be tasked with reviewing the integrated annual report and reporting back to the board. Additionally, the board as a whole will be provided an opportunity to provide feedback on the integrated annual report. Indluplace works closely with its advisors prior to the release of its integrated annual report.	-
2.13. The board should report on the effectiveness of the company's system of internal controls	Indluplace's audit and risk committee will report to shareholders on the appropriateness of its system of internal controls in its integrated annual report. The audit and risk committee receive reports on the internal controls of the company well in advance of meetings of the audit and risk committee.	-
2.14. The board and its directors	The board of directors individually and	-



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INDLUPLACE PROPERTIES LIMITED REGISTRATION NUMBER: 2013/226082/06 DIRECTORS: T.M. ADLER, M.J. KAPLAN, G.S. KINROSS, G.G.L. LEISSNER, S. NOIK, I.E. SULEMAN, P.C. DE WIT, C L ABRAMS, A REHMAN

should act in the best interests of the company	collectively understand their fiduciary responsibility to act in the best interests of the company and disclosures of interest and director's dealings are reported on in accordance with a policy adopted by the board in this regard.	
2.15. The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	The board has noted this responsibility and will deal with it in accordance with the provisions of the Companies Act 2008, as amended (" <b>Companies Act</b> "), King III and advice received from advisors should the need arise.	-
2.16. The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	The chairman of the board is a non-executive director and his role is separate from that of the CEO. A lead non-executive director has been appointed.	-
2.17. The board should appoint the chief executive officer and establish a framework for the delegation of authority	Indluplace has an appointed CEO and has delegated certain functions to various committees and to the executive directors of the board. There is an approvals framework which is reviewed from time to time.	-
2.18. The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	The approvals framework ensures that there is a clear balance of power between the various board members. The board comprises of four executive and five non-executive directors of whom three are independent.	-
2.19. Directors should be appointed through a formal process	Deliberations and appointments of the board are formal and transparent. The board has not as yet appointed a nominations committee and the need in this regard will be assessed by the board on an ongoing basis.	-
2.20. The induction of and ongoing training and development of directors should be conducted through formal processes	Training of board members is arranged at the company's expense as and when required.	-

2.21. The board should be assisted by a competent, suitably qualified and	The board is assisted by a suitably qualified company secretary, who has adequate experience, who is not a	-
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experienced company secretary	director of the company and who has been empowered to fulfil his duties. The board reviews the company secretary at least annually and the board is satisfied that the company secretary maintains an arms-length relationship with the board and is sufficiently qualified and experienced to execute the required duties.	
2.22. The evaluation of the board, its committees and the individual directors should be performed every year	The chairman reviews the board's performance informally on an ongoing basis which includes monitoring the contributions made by each of the directors.	Given the skill and experience of the current board, the board believes that informal assessments are adequate at this time.
2.23. The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	The board has delegated certain specific responsibilities to the remuneration committee, the audit and risk committee, the investment committee and the social and ethics committee without abdicating its own responsibilities.	-
2.24. A governance framework should be agreed between the group and its subsidiary boards	A governance framework has been agreed between the company and the board of its subsidiary companies.	-
2.25. Companies should remunerate directors and executives fairly and responsibly	The remuneration committee is made up of two independent non-executive directors whose primary responsibility is to monitor the remuneration policy of the company and more specifically the executive directors and ensure that directors and senior executives are remunerated fairly and responsibly. The committee considers the mix of regular salary remuneration, annual bonuses and incentive elements that meet the company's needs. Incentives are based on targets that are stretching, verifiable and relevant.	-

2.26. Companies should disclose the remuneration of each individual director and prescribed officers	Indluplace will disclose the remuneration of all of the directors in its integrated annual report. All key employees are part of the executive committee and their	-
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	remuneration disclosed.	
2.27. Shareholders should approve the company's remuneration policy	The remuneration policy will be disclosed in the integrated annual report.	The board is transparent about its remuneration policy and is detailed in its integrated annual report.

### **CHAPTER 3: AUDIT COMMITTEES**

<b>PRINCIPLE</b>	<b>HOW PRINCIPLE IS APPLIED</b>	<b>REASON FOR NON-COMPLIANCE</b>
3.1. The board should ensure that the company has an effective and independent audit committee	Please refer to principle 2.6	-
3.2. Audit committee members should be suitably skilled and experienced independent non-executive directors	Please refer to principle 2.6	-
3.3. The audit committee should be chaired by an independent non-executive director	The audit and risk committee is chaired by Gregory Kinross who is an independent non-executive director.	-
3.4. The audit committee should oversee integrated reporting	The audit and risk committee considers all factors and risk that may impact on the integrity of the integrated report and reviews it prior to the board approving it.	-
3.5. The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	The audit and risk committee obtains combined assurance from the external auditors, Grant Thornton and management and ensures that the combined assurance received is appropriate to address all significant risks facing Indluplace.	-
3.6. The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	The audit and risk committee and the board are satisfied that the CFO, Carel de Wit has the necessary skills and qualifications to fulfil his responsibilities.	-



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3.7. The audit committee should be responsible for overseeing of internal audit	Having regard to the size and the life-stage of the company, a dedicated internal audit function is not warranted at this stage. The situation and needs in this regard will be reassessed by the committee on an ongoing basis.	
3.8. The audit committee should be an integral component of the risk management process	As Indluplace has a combined audit and risk committee, the risk management process is an integral component of the committee's duties.	-
3.9. The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	The external auditor presents the external audit plan to the audit and risk committee on an annual basis whereafter the committee nominates for appointment the external auditor to the shareholders at the annual general meeting of the company in terms of the Companies Act.	-
3.10. The audit committee should report to the board and shareholders on how it has discharged its duties	The audit and risk committee report is included in the integrated annual report and the chairman of the audit and risk committee is available at the annual general meeting of shareholders to answer any questions by shareholders. The audit and risk committee chair reports back at each board meeting on the activities, decisions and recommendations of the audit and risk committee.	-

## **CHAPTER 4: THE GOVERNANCE OF RISK**

<b>PRINCIPLE</b>	<b>HOW PRINCIPLE IS APPLIED</b>	<b>REASON FOR NON-COMPLIANCE</b>
4.1. The board should be responsible for the governance of risk	The board takes overall responsibility for risk management with a formal process implemented for managing risk while delegating authority to the audit and risk committee.	-

4.2. The board should determine the levels of risk tolerance	The board regularly reviews Indluplace's risk profile so as to ensure that risks are being managed within a tolerable level and steps are taken when necessary to address and mitigate risks.	-
4.3. The risk committee or audit committee should assist the board in	The audit and risk committee meet several times annually to review matters pertaining to risk.	-



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carrying out its risk responsibilities		
4.4. The board should delegate to management the responsibility to design, implement and monitor the risk management plan	Risk is managed at an operational level with monthly management meetings held with the company's external management company in order to identify and address risk in its infancy.	-
4.5. The board should ensure that risk assessments are performed on a continual basis	Please see principle 4.4 above.	-
4.6. The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Risk is managed at an operational level with monthly management meetings held with the company's external management company in order to identify and address risk in its infancy.	-
4.7. The board should ensure that management considers and implements appropriate risk responses	The executive committee is responsible for and has put systems in place in order to ensure that the operations management considers and implements the appropriate risk responses.	-
4.8. The board should ensure continual risk monitoring by management	The executive committee ensures that risk management is performed on a continual basis and reports and presents to the board on this matter at least annually.	-
4.9. The board should receive assurance regarding the effectiveness of the risk management process	The audit and risk committee oversee the risk management process with the executive committee putting systems in place in order to mitigate risk. The audit and risk committee report back to the board in this regard.	-
4.10. The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	This is disclosed to stakeholders annually in the integrated annual report and will be done additionally as and when required. Risk is managed at an operational level with monthly management meetings held with the company's external management company in order to identify and address risk in its infancy.	-

## **CHAPTER 5: THE GOVERNANCE OF INFORMATION TECHNOLOGY (IT)**

<b>PRINCIPLE</b>	<b>HOW PRINCIPLE IS APPLIED</b>	<b>REASON FOR NON-COMPLIANCE &amp; ACTION ITEMS, IF ANY</b>
5.1. The board should be responsible for IT	Please refer to principle 2.8 above.	-



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governance		
5.2. IT should be aligned with the performance and sustainability objectives of the company	Having regard to the size and life-stage of the company the board believes that the IT governance policy is appropriate and is aligned with the performance and sustainability objectives of the company.	-
5.3. The board should delegate to management the responsibility for the implementation of an IT governance framework	The board has delegated to its external property manager the implementation of its IT governance framework.	-
5.4. The board should monitor and evaluate significant IT investments and expenditure	The board monitors and evaluates IT investments and expenditure from time to time but at a minimum on an annual basis.	-
5.5. IT should form an integral part of the company's risk management	IT forms an integral part of the company's risk management as does that of its external property manager which has implemented disaster recovery processes and the like and is ISO compliant.	-
5.6. The board should ensure that information assets are managed effectively	The board gives IT and its information assets the necessary importance with regards to the performance and sustainability objectives of the company and in furtherance hereof it ensures that its information assets are managed effectively.	
5.7. A risk committee and audit committee should assist the board in carrying out its IT responsibilities	-	Having regard to the size and life-stage of the company the board takes responsibility for IT governance and this has not been delegated to the audit and risk committee.

## **CHAPTER 6: COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS**

<b>PRINCIPLE</b>	<b>HOW PRINCIPLE IS APPLIED</b>	<b>REASON FOR NON-COMPLIANCE</b>
6.1. The board should ensure that the company complies	Please refer to principle 2.9 above.	



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with applicable laws and considers adherence to non-binding rules, codes and standards		
6.2. The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	The board and each individual director has a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business. The company's internal legal resource, external legal advisors, sponsor and company secretary advise the board of any amendments to existing legislation and regulations applicable to the company. The social and ethics committee monitors the compliance of the company with relevant legislation and regulations which are of application to it.	
6.3. Compliance risk should form an integral part of the company's risk management process	Compliance risk is monitored on an ongoing basis both by the company's internal legal resource, its external legal advisors and the company's company secretary.	
6.4. The board should delegate to management the implementation of an effective compliance framework and processes	The board has delegated to executive management the implementation of an effective compliance framework and processes.	

## **CHAPTER 7: INTERNAL AUDIT**

<b>PRINCIPLE</b>	<b>HOW PRINCIPLE IS APPLIED</b>	<b>REASON FOR NON-COMPLIANCE</b>
7.1. The board should ensure that there is an effective risk based internal audit	-	Please see principle 2.10 above.
7.2. Internal audit should follow a risk based approach to its plan	-	Please see principle 2.10 above.
7.3. Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	-	Please see principle 2.10 above.
7.4. The audit committee should be responsible for overseeing internal audit	-	Please see principle 2.10 above.



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7.5. Internal audit should be strategically positioned to achieve its objectives	-	Please see principle 2.10 above.
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## **CHAPTER 8: GOVERNING STAKEHOLDER RELATIONSHIPS**

<b>PRINCIPLE</b>	<b>HOW PRINCIPLE IS APPLIED</b>	<b>REASON FOR NON-COMPLIANCE &amp; ACTION ITEMS, IF ANY</b>
8.1. The board should appreciate that stakeholders' perceptions affect a company's reputation	Please see principle 2.11 above.	
8.2. The board should delegate to management to proactively deal with stakeholder relationships stakeholders and the outcomes of these dealings.	The company will have regular dialogue with institutional investors. Financial results, trading updates and announcements will be published in accordance with the JSE Listings Requirements and results announcements, the integrated report and presentations to shareholders and analysts will also be published on Indluplace's website. Relationships with tenants, employees and service providers will be equally valued and maintained.	
8.3. The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	Indluplace strives to maintain a balance between the various stakeholders while acting in the best interests of the company.	

8.4. Companies should ensure the equitable treatment of shareholders	The company provides timely and equitable disclosure of information to the market and all shareholders are treated equally in this regard. Information is posted on the company's website.	
8.5. Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Please refer to principle 8.4 above.	
8.6. The board should ensure	Open and transparent dialogue is	



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that disputes are resolved as effectively, efficiently and expeditiously as possible	encouraged and maintained on an ongoing basis in an effort to prevent disputes and if needs be to resolve disputes effectively and efficiently.	
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## **CHAPTER 9: INTEGRATED REPORTING AND DISCLOSURE**

<b>PRINCIPLE</b>	<b>HOW PRINCIPLE IS APPLIED</b>	<b>REASON FOR NON-COMPLIANCE</b>
9.1. The board should ensure the integrity of the company's integrated report	Please see principle 2.12 above	
9.2. Sustainability reporting and disclosure should be integrated with the company's financial reporting	Sustainability reporting and disclosures in integrated in the company's financial reporting.	
9.3. Sustainability reporting and disclosure should be independently assured	-	Independent assurance is not warranted at this point in time given the size and life-stage of the company. The situation and needs in this regard will be reassessed by the committee on an ongoing basis.



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