



MAS REAL ESTATE INC.



KING IV APPLICATION REGISTER 2019

KING IV APPLICATION REGISTER

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

APPLICATION

1. THE GOVERNING BODY SHOULD LEAD ETHICALLY AND EFFECTIVELY

The board recognises its responsibility to provide ethical and effective leadership by conducting its affairs with integrity, accountability and social responsibility. The board encourages stakeholder inclusiveness and takes account of such in its approach to governance. The board abides collectively by the board charter and sets the tone of ethical behaviour and business practices, both collectively and individually, through the application of its Code of Ethics and Conduct.

The governance social and ethics committee (“GSEC”) ensures that high standards of conduct are maintained throughout the group.

Board effectiveness as a whole is evaluated annually, and the questionnaires are reviewed by the chairman of the board and the chairman of the GSEC. Individual director’s performance is appraised in each calendar year and reviewed by the chairman of the board and the chairman of the remuneration and nomination committee (“rem/nom”). The performance of the chairman of the board is led by the lead independent non-executive director (“lead INED”). These performance appraisals assist the group in ensuring that the board is accountable for leading ethically and efficiently.

Each of the board’s committees is responsible for reporting to shareholders and stakeholders annually on how the committee has discharged its duties.

The board’s code of ethics and conduct is available on the group’s website at www.masrei.com.

ORGANISATION ETHICS

APPLICATION

2. THE GOVERNING BODY SHOULD GOVERN THE ETHICS OF THE ORGANISATION IN A WAY THAT SUPPORTS THE ESTABLISHMENT OF AN ETHICAL CULTURE

The board ensures that a strong ethical and moral culture exists at all levels in the group and delegates the implementation of the codes of ethics and conduct and policies to the senior management team, who report to the GSEC, the committee responsible for oversight of, and reporting on, the group’s ethics.

Any breaches are reported to the GSEC who will escalate any pertinent matters to the audit and risk committee (“ARC”) . The chairman of GSEC is also a member of ARC to ensure visibility of the measures taken to monitor the group’s ethics and how the outcomes are addressed.

In addition, MAS has a combined assurance model to manage risk across the group, which operates on the basis of five lines of defence, one being “The tone of the group”.

The core values of the group are set out in the integrated annual report. MAS has detailed policies in place which underpin the values set out by the board including the following:

- whistle-blowing policy;
- anti-bribery and corruption policy;
- modern slavery statement;
- conflicts of interest policy; and
- share dealing policy.

In addition, codes of ethics and conduct are in place for directors, employees and suppliers, thus ensuring that the requisite standards are known to all.

Training on the relevant codes is included in the employee handbook which is provided to all employees.

Senior management ensures that the values of integrity, being collaborative and being respectful are disseminated throughout the group through the shared vision and mission.

Key areas of focus include ensuring that compliance with the codes of ethics and conduct is integral to the strategy and operations of the group, and potential ethical risks are incorporated into the risk management and investment processes of the business. In autumn 2018, a board culture and a separate organisational culture survey was undertaken by an external provider, the results of which showed an alignment of values throughout the organisation. In summer 2019, a new whistleblowing hotline was introduced for the use of group employees and select key suppliers.

Future key areas of focus include addressing areas identified in the culture survey, and further strengthening group values applied by suppliers and contractors.

3. THE GOVERNING BODY SHOULD ENSURE THAT THE ORGANISATION IS AND IS SEEN TO BE A RESPONSIBLE CORPORATE CITIZEN

Good corporate citizenship is intrinsic to MAS and responsibility for oversight of such lies with the GSEC, who reports to, and assists, the board with setting the direction and monitoring of the group's activities in the workplace, in property development, the economy, society and the natural environment.

Operating in a sustainable way is a key focus, as is compliance with applicable laws, regulations and industry standards, while having regard to the financial performance of the business.

MAS' commitment to responsible corporate citizenship is embedded in its business strategy. It engages with stakeholders to understand their interests and expectations and to find solutions to sustainability challenges.

The business works with joint venture partners, suppliers and tenants to impart MAS' stance on good corporate citizenship. MAS publishes an annual statement on its website which includes the measures taken to combat modern slavery.

MAS has a corporate social responsibility working group in place which implements its policy in terms of charitable and social giving, which reports to the GSEC. Key future focus area is identifying a medium to long term community outreach programme in CEE.

4. THE GOVERNING BODY SHOULD APPRECIATE THAT THE ORGANISATION'S CORE PURPOSE, IT'S RISKS AND OPPORTUNITIES, STRATEGY, BUSINESS MODEL, PERFORMANCE AND SUSTAINABLE DEVELOPMENT ARE ALL INSEPARABLE ELEMENTS OF THE VALUE CREATIONS PROCESS

MAS aims to create value for investors by acquiring, developing, managing and optimising quality real estate assets in Central and Eastern Europe. The board is responsible for setting the group strategy and aligning the strategic objectives, vision and mission with performance expectations of stakeholders, which take into account the key risks facing the group.

Management is responsible for devising and implementing the short, medium and long-term strategy of the business which is approved by the board.

Ensuring strategy alignment is particularly important to the business to maximise value creation. Full strategic review sessions are undertaken by the entire board and senior management sessions are conducted at least quarterly and reported back to the board at each meeting. A twoday board strategy session with all directors present was held in May 2019.

The strategy feeds into the integrated reporting process and any challenges to achieving key targets are identified and addressed or mitigated through the risk monitoring programme which is reviewed by the ARC.

The board approved key performance measures regarding sustainable distribution growth and senior management reports to the board quarterly on progress in this regard.

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REPORTING

APPLICATION

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 board, through the ARC, ensures that the necessary controls are in place to interrogate and verify the accuracy of the information contained in the reports issued by the group.

MAS communicates with its shareholders through its integrated report, audited annual financial statements, annual and interim results presentations, investor presentations, the company profile, its website and through publication of announcements on the Stock Exchange News Service ("SENS") and in the press.

The reporting framework is approved by the ARC, in conjunction with the external auditors and agreed at board level.

The ARC oversees the integrated reporting process and reviews the financial statements to ensure that they are relevant to shareholders and to ensure compliance with legal requirements and International Financial Reporting Standards as issued by the IASB ("IFRS").

The annual financial statements are externally audited, an external IFRS advisor is engaged on ad-hoc basis and the interim results are generally externally reviewed by the group's auditors.

The integrated annual reports, interim and annual results, investor presentations, SENS announcements and King IV register are all published on the company's website.

MAS also communicates with its target audience of key institutional South African investors by hosting face to face investor presentations at least annually. Additionally, in summer 2019, MAS hosted a property tour in Romania.

GOVERNING STRUCTURES AND DELEGATION

APPLICATION

6. THE GOVERNING BODY SHOULD SERVE AS THE FOCAL POINT AND CUSTODIAN OF CORPORATE GOVERNANCE IN THE ORGANISATION

One of MAS' stated core values is acting with integrity and the board is ultimately responsible for ensuring that a strong corporate governance culture permeates throughout the group.

The board has an approved charter, reviewed annually, which sets out the governance responsibilities, membership requirements, procedural conduct and the frequency of meetings.

The board is required to meet a minimum of three times a year, with ad-hoc meetings when required and full attendance of all members at meetings is expected. Details of all the board meetings held during the year, together with the attendance record, are disclosed in the integrated annual report.

The board as a whole, and the directors individually, are allowed unfettered access to all documentation of the group. They are also allowed unfettered access to independent external professional advice on any matter within the scope of their duties.

In addition, through the GSEC, the board implements and monitors the governance practices within the group. The board applies most of the recommendations on King IV and complies with the JSE Listings Requirements and Rules and Regulations of the Luxembourg Stock Exchange and the relevant companies' legislation. The board adopts relevant standards of best practice, and always acts in the best interests of the group.

The board sets the direction and parameters for powers that are reserved for itself and some of these are delegated to management via the executive directors.

A robust corporate governance framework is in place which dictates how subsidiary entities are monitored and reviewed for compliance with the core corporate governance standards of the group.

The board believes that an effective framework has been established, that appropriate processes exist to comply with appropriate laws, codes, rules and standards and that it has fulfilled its responsibilities in accordance with the board charter.

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 board reflects an appropriate mix of skills, knowledge and experience to enable it to discharge its duties and responsibilities. The board comprises ten members, seven of which are non-executive and five of those are independent non-executives.

The board maintains a clear balance of power to ensure that no one director has unfettered powers in decision making and the company's articles of association provide for one-third of the non-executives to retire by rotation at each annual shareholders' meeting. A brief CV for each director is available on the company's website.

The roles of the chairman and the CEO are distinct, and the chairman is an independent non-executive.

The independence of the non-executive directors is assessed at least annually by the rem/nom committee and any changes are implemented with immediate effect upon review by the board. The most recent assessment was conducted during October 2019 and Jaco Jansen's status was re-classified to independent non-executive director, due to Artisan Real Estate Limited, the company of which Jaco is the CEO, ceasing to be a related party of the MAS group during the year.

In line with best practice, the board recently appointed a lead independent director to provide support to the chairman and to further enhance accountability and balance at board level.

MAS currently has 10% female representation on the board, and it has a gender diversity policy in place.

As a foreign inward-listed company on the JSE, operating from outside of South Africa, MAS has obtained a legal opinion advising that it is not subject to reporting under section 13G(2) of the Broad Based Black Economic Empowerment Act of South Africa and has submitted this to the JSE.

MAS is registered in the British Virgin Islands where the obligation for a race equality policy is not required and the JSE has granted the company a dispensation from the requirement to implement a race diversity policy. However, MAS is firmly committed to being an equal opportunities employer in all respects.

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

MAS has established the following committees to assist in the discharge of its duties:

- Audit and risk ("ARC")
- Remuneration and nomination ("Rem/Nom")
- Governance, social and ethics ("GSEC")
- Investment committee ("Invest com")

The committees are appropriately constituted, and members are appointed by the board. The compositions meet the JSE Listings Requirements and key responsibilities of each are detailed on the company's website.

The committees operate under their respective terms of reference which have been approved by the board and which are reviewed annually. Every director is entitled to attend any committee meeting. The external auditors are specifically invited to attend at least two ARC meetings per annum.

The frequency of meetings and attendance at each meeting is disclosed in the group's integrated annual report.

The ARC is satisfied that it is fulfilling its duties in accordance with its terms of reference.

The Rem/Nom is satisfied that it is fulfilling its duties in accordance with its terms of reference.

The GSEC is satisfied that it is fulfilling its duties in accordance with its terms of reference. The ARC monitors the integrity of the financial performance reporting, internal controls, the external audit process and manages the group's strategic and operational risks.

There is a benchmark in place that governs the level of non-audit services that can be provided by the external auditor without ARC approval and this is disclosed to, and agreed by the ARC, in advance of any non-audit work being undertaken.

The board appointed new external auditors following a tender process and approval by the shareholders at the shareholders' meeting in November 2018. The ARC is satisfied with the independence and performance of the external audit firm as well as the quality of the external audit, and that an arm's length relationship exists between senior management and members of the audit team. The ARC receives and reviews inspection reports issued by the external auditor's regulators to assist in its assessment of the suitability of the auditor and the quality of the external audit.

Internal audit work has been performed over the controls environment which has been reviewed before the end of the 2019 financial year. The findings and any remedial action for improvement have been regularly reported back to the ARC.

Significant matters that the ARC has considered during the current financial period include the property valuations process that has been strengthened to require each property to be valued by an independent third party every 6 months and a detailed review of the group's combined assurances framework.

The board is satisfied that the committees are operating effectively.

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 continue to undertake formal periodic internal assessments of the board as a whole and individual directors' self-assessments are carried out to ensure effectiveness and help identify any skills gaps. The chairman of the board, assisted by the chairman of the Rem/Nom are responsible for reporting the findings to the board and for recommending, if necessary, remedial action. The responses are analysed, and the chairman of the board engages with individual directors to address any areas of improvement highlighted in the assessment. The conclusion was that overall the board was functioning competently and in accordance with its mandate.

Formal individual directors' performance reviews and a formal full board effectiveness assessment was undertaken by the Rem/Nom with support from the lead INED in October 2019.

Directors are provided with induction, training and workshops as and when required and they individually comply with their own professional CPD requirements. Directors are also encouraged and financially supported to undertake relevant further studies to further add value to the board's effectiveness.

The results of the board culture survey undertaken in autumn 2018 showed that the board members shared the core values of the MAS team as a whole.

10. THE GOVERNING BODY SHOULD ENSURE THAT THE APPOINTMENT OF AND DELEGATION TO MANAGEMENT CONTRIBUTE TO THE ROLE CLARITY AND THE EFFECTIVE EXERCISE OF AUTHORITY AND RESPONSIBILITIES

MAS has clearly defined executive director roles, being the CEO, CFO and the CIO. All executives are appointed under a formal contract of employment which stipulates the termination and notice periods applicable. The CEO was appointed by the board in May 2019 with a notice period of three months and he has no other appointments that would distract from his principal role as the CEO of MAS.

The Rem/Nom is responsible for ensuring that appropriate succession plans are in place for the position of CEO, other executives, the chairman, the lead INED and members of the senior management team.

The executive directors and senior management operate under a delegated authority framework ("DAF") which details the powers and matters that can be delegated. This is reviewed and approved at least annually by the board. The executive directors are responsible for the successful implementation of the strategy, policies and operational plans for the group

The executive directors, senior management and officers of subsidiary entities acknowledge and agree to the terms of the DAF and they, together with the wider board, have free access to corporate governance and legal professionals in carrying out their duties. The board is satisfied that the framework helps define roles for the effective exercise of authority and responsibilities. All directors have access to the company secretary for corporate governance guidance.

In particular, the company secretary has a direct channel of communication to the chairman of the board, while maintaining an arm's-length relationship with the board and the directors as far as reasonably possible. The company secretary's ability to perform her duties is assessed by the board annually and her role and responsibilities are described in the board charter.

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GOVERNANCE FUNCTIONAL AREAS

APPLICATION

11. THE GOVERNING BODY SHOULD GOVERN RISK IN A WAY THAT SUPPORTS THE ORGANISATION IN SETTING AND ACHIEVING ITS STRATEGIC OBJECTIVES

The board considers key risk identification and ongoing management thereof to be integral to the success of the business.

The ARC oversees risk governance and management and reports to the board. A risk register is maintained to monitor and, where possible, mitigate the impact of the risks faced. Ownership and responsibility for each risk is delegated to individuals within the senior management team.

At least two of the ARC meetings per annum have a specific focus on risk and consider risk tolerance and risk appetite.

The internal controls framework forms the basis for assessments and testing of the adequacy of the controls.

The ARC arranges risk workshops with senior management to ensure that the risks have been considered and reviewed at least annually and this is available to all members of the board.

The key areas for focus include managing access to appropriate transactions, as well as market price risk and the impact of interest rate rises and political events on the portfolio, and wider market generally.

TECHNOLOGY AND INFORMATION GOVERNANCE

APPLICATION

12. THE GOVERNING BODY SHOULD GOVERN TECHNOLOGY AND INFORMATION IN A WAY TO SUPPORT THE ORGANISATION IN SETTING AND ACHIEVING ITS STRATEGIC OBJECTIVES

The board recognises the importance of inherent risks associated with information and technology and it is ultimately accountable for its governance. It delegates its authority to the ARC to oversee the management of these.

MAS has information and technology protocols in place which set out the procedures in relation to communication, data and document storage, technology systems, amongst other key criteria.

Risks relating to information and technology are identified and monitored through the risks register.

MAS has a comprehensive internal controls framework which is initially tested internally and reviewed by an external specialist internal audit function as appropriate.

The business retains external technological hardware and software professionals and engages with advisors/technicians with regard to disaster recovery, business resumption and specific key systems. The company also conducts an annual business recovery test.

MAS takes IT security extremely seriously and has recently enhanced its security for remote access via off-site computers, laptops and mobile devices to protect against fraudulent access.

All employees understand, and have acknowledged, the information and technology standards of behaviour as laid out in the employee handbook, which includes policies and protocols on email, internet usage, passwords and mobile devices.

The business is subject to mandatory general data protection regulation regarding the handling of personal data and it has conducted an internal review to assess the impact of the legislation.

The group's Head of Operations is responsible for information and technology implementation management and is a suitably experienced person who has access to and interacts regularly with the ARC and the board.

COMPLIANCE GOVERNANCE

APPLICATION

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

Responsibility for corporate governance rests with the board and it is committed to the highest standards of business integrity, ethical values and governance.

The board ensures that its duties are discharged through the GSEC, which oversees compliance matters. It considers that effective governance is realised by the creation of an appropriate governance culture through leadership and collaboration.

MAS' policy requires all directors, employees and group companies to comply with applicable laws, regulations, codes and relevant listings requirements.

MAS complies with the Modern Slavery Act, and its statement of compliance is available on the group's website.

A corporate governance framework is in place for the business which outlines the corporate structure, functions and governance environment that the group operates within.

Group legal counsel continuously monitors the regulatory horizon and advises the board, as well as supporting the management on a daily basis.

The board charter, committees' terms of reference, codes of conduct for directors, employees and suppliers and the employee handbook, all support the corporate governance framework.

The delegated authority framework sets clear boundaries and specific authorisation limits as to the reserved matters and which matters should be delegated to the executive management team.

The company secretary is the custodian of compliance and, together with the Head of Operations, reports to the GSEC and the board.

MAS engaged external compliance experts to conduct a full gap analysis on the integrated annual report, with a focus on King IV.

Compliance with the relevant listing requirements is supported by the group's sponsor in South Africa and group's listing agent in Luxembourg.

REMUNERATION GOVERNANCE

APPLICATION

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

Responsibility for remuneration has been delegated by the board to the Rem/Nom committee. The philosophy regarding remuneration is to attract and retain the best talent available to facilitate the group in meeting its strategic objectives. MAS' remuneration policy is aligned with its strategic objective of creating long-term and sustainable value for shareholders.

A geared share purchase plan was approved by shareholders in February 2017 and implemented by the directors in conjunction with the rem/nom committee.

The company discloses the remuneration of each director and the company secretary in the integrated annual report.

As required by King IV, the remuneration policy and implementation report are taken to a non-binding advisory vote at the annual shareholders meeting. These non-binding resolutions enable shareholders to express their views regarding the remuneration policy and the implementation report. The board is committed to ongoing engagement with shareholders and analysts to provide more detailed parameters around performance conditions and benchmarks.

MAS appoints third party remuneration specialists where appropriate. It also conducts investor roadshows and actively engages with key shareholders on a one-to-one basis to discuss the company's approach to remuneration, strategy, sustainability and governance.

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ASSURANCE

APPLICATION

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 board delegated responsibility to the ARC to oversee the internal control environment.

The board has adopted a combined assurance model, which the internal control framework forms part of.

The combined assurance model assists in addressing control over the key risks facing the group. Such risks and their mitigating controls are identified and controlled by management, within a risk framework agreed with the board, and the process is monitored and overseen by the ARC.

The combined assurance model operates on the basis of five lines of defence:

- The tone of the group;
- Business unit managers and process owners;
- Independent risk management and compliance functions;
- Internal assurance providers; and
- Executive management and compliance functions.

In addition to assurances from the board, committees, senior management, employees and the external auditors, the ARC engages an external IFRS consultant when required to further ensure the financial information as a whole complies with IFRS.

STAKEHOLDERS

APPLICATION

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

MAS recognises that the engagement and ongoing relationships with stakeholders are vital to creating and unlocking real stakeholder value.

MAS strives to be responsive to the needs and interests of its key stakeholder groups, which include employees, shareholders, tenants, suppliers, joint venture partners and the communities around our operations.

Employees are fully aligned with the strategy and direction of the business as a result of the policy of regular and open communication across all levels and the dissemination of the employee handbook and the code of ethics and conduct.

MAS has appointed a dedicated investor relations consultant to support and guide the business with its frequent formal and informal communication to shareholders, which includes investor presentations taking place at least annually. The company has designated advisors in respect of its listings on the JSE and the LuxSE who also provide valuable guidance on stakeholder sentiment and the wider market and economic environment.

MAS enjoys strong relationships with its tenants, either directly or through its appointment of quality locally based asset managers, and this is key to the delivery of the vision for sustainable and growing distributions.

RESPONSIBILITIES OF INSTITUTIONAL INVESTORS

APPLICATION

17. THE GOVERNING BODY OF AN INSTITUTIONAL INVESTOR ORGANISATION SHOULD ENSURE THAT RESPONSIBLE INVESTMENT IS PRACTISED BY THE ORGANISATION TO PROMOTE THE GOOD GOVERNANCE AND THE CREATION OF VALUE BY THE COMPANIES IN WHICH IT INVESTS

Not applicable as the company is not an institutional investor.