

King IV Application Register

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The governing body should lead ethically and effectively

Application

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 Social and Ethics Committee ('SEC') ensures that high standards of conduct are maintained throughout the Group.

Board effectiveness as a whole is evaluated annually. Individual director's performance is appraised in each calendar year. The results of the evaluation of the performance of all executive and non-executive directors is considered by the Remuneration and Nomination Committee. 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

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

Application

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 SEC, the committee responsible for oversight of, and reporting on, the Group's ethics. Any breaches are reported to the SEC who escalates any pertinent matters to the Audit and Risk Committee ('ARC').

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 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 relevant parties.

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 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.

RESPONSIBLE CORPORATE CITIZENSHIP

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

Application

Good corporate citizenship is intrinsic to MAS and responsibility for oversight of such lies with the SEC, who reports to, and assists, the Board with setting the direction and monitoring 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.

STRATEGY, PERFORMANCE AND REPORTING

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 creations process

Application

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 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 to the Board at each meeting.

The strategy feeds into the annual 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 reviews performance regarding sustainable distribution growth and senior management reports to the Board on progress in this regard.

REPORTING

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

Application

The Board of Directors approves management's determination of the Group's reporting frameworks and reporting standards to be used, taking into account legal requirements and the intended audience and purpose of each report. In particular, the Board oversees that the annual financial statements, annual report which includes besides financial and operational data the sustainability report, risk report, corporate governance report, remuneration report, comply with legal and stock exchange requirements and meet the legitimate and reasonable information needs of stakeholders.

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 annual 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 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 audited by an independent external auditor, an external IFRS advisor is engaged on ad-hoc basis and the interim results are generally reviewed by the Group's auditor.

The 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 investor presentations at least annually, and when possible, face to face.

GOVERNING STRUCTURES AND DELEGATION

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

Application

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 Group developed a detailed Corporate Governance Framework, approved by the Board. The Board has an approved charter, reviewed annually, which sets out its 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 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 SEC, 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 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.

COMPOSITION OF THE GOVERNING BODY

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

Application

In determining the composition of the Board, the Nomination Committee considers the appropriate combination of executive, non-executive, independent non-executive directors, whilst achieving regulatory and diversity requirements.

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 twelve members, eight of which are non-executive and six of those are independent non-executives. Two of the executive directors are alternate directors.

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.

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.

EVALUATIONS OF THE PERFORMANCE OF THE GOVERNING BODY

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

Application

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.

Formal individual directors' performance reviews and a formal full Board effectiveness assessment was undertaken by the Rem/Nom with support from the lead independent non-executive director in October 2019. The conclusion was that the Board was functioning competently and in accordance with its mandate.

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

APPOINTMENT AND DELEGATION TO MANAGEMENT

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.

Application

MAS has clearly defined executive director roles, being the CEO and CFO. The CEO and CFO were appointed through voting at shareholders' meeting in November 2019 for a period of three years, during which they have no other appointments that would distract from their principal roles as the CEO and CFO 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 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 his/her duties is assessed by the Board annually and his/her role and responsibilities are described in the Board charter.

TECHNOLOGY AND INFORMATION GOVERNANCE

The governing body should govern technology and information in a way to support the organisation in setting and achieving its strategic objectives

Application

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 tested internally.

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 regular business recovery tests.

MAS takes IT security extremely seriously and has enhanced 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.

COMPLIANCE GOVERNANCE

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

Application

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 SEC, 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 reports to the SEC and the Board.

Compliance with the relevant listing requirements is supported by the Group's sponsor in South Africa.

REMUNERATION GOVERNANCE

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

Application

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 in the 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, when possible, 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.

ASSURANCE

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

Application

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;
- Board Committees;
- Internal and external assurance providers; and
- Board of Directors.

In addition to assurances from the Board, committees, senior management, employees and the external auditors, the ARC may engage an external IFRS consultant when deemed necessary, to further ensure the financial information as a whole complies with IFRS.

STAKEHOLDERS

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

Application

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 dedicated investor relations personnel to support 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 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

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

Application

Not applicable as the company is not an institutional investor.