



equites
PROPERTY FUND

DANGER DOOR NOT FOR PEDESTRIAN USE
DANGER DOOR NOT FOR PEDESTRIAN USE



Company profile



Equites is the only specialised logistics REIT listed on the JSE. It has executed its vision of becoming a globally relevant REIT and currently has a footprint in SA and the UK.



About Equites

Who we are

Equites listed on the Johannesburg Securities Exchange ("JSE") in June 2014 and has established itself as a market leader in the logistics property space. Equites has executed its vision of becoming a globally relevant Real Estate Investment Trust ("REIT"), with a footprint in SA and the UK.

The group has curated a high-quality logistics portfolio across SA and the UK, with a focus on assets that are modern, well-located, and tenanted by A-grade users on long-dated leases. The group benefits from being a market leader in this class of specialisation, where the group is the only listed property entity on the JSE to provide shareholders with pure exposure to prime logistics assets. Since listing, specific focus has been based on ensuring that each acquisition and development meets the group's strict investment criteria.

Our portfolio

The growth strategy in SA is to focus on single asset acquisitions, high-quality portfolio acquisitions, the acquisition of strategic land holdings to capture increasing occupier demand in key logistics nodes and the development of prime logistics facilities. Our in-house development expertise and the ability to unlock key nodes have been instrumental to the group's success and will continue to play a role in the group's ongoing profitability and long-term value creation.

Our development team in SA continue to innovate and push the boundaries to create a unique product offering which is unmatched in the SA context. We apply a strict baseline specification which is inspired by global best practice and this therefore remains one of our competitive advantages. Regarding implementation, the baseline specification is enforced diligently, and the highest quality materials are sourced to ensure low maintenance and the enhanced longevity of every item.

Our ability to create value stems from the acquisition of well-positioned land, which is suitable for development, the procurement of tenants through development leases and managing the construction process through the entire life cycle.

How to navigate this document

Inputs



Financial capital



Human capital



Intellectual capital



Manufactured capital



Social and relationship capital



Natural capital

Sustainability



Community involvement



Dedicated skilled employees



Educational initiatives



Environmental awareness



Instilling sound corporate governance



Relationships deeply rooted in trust



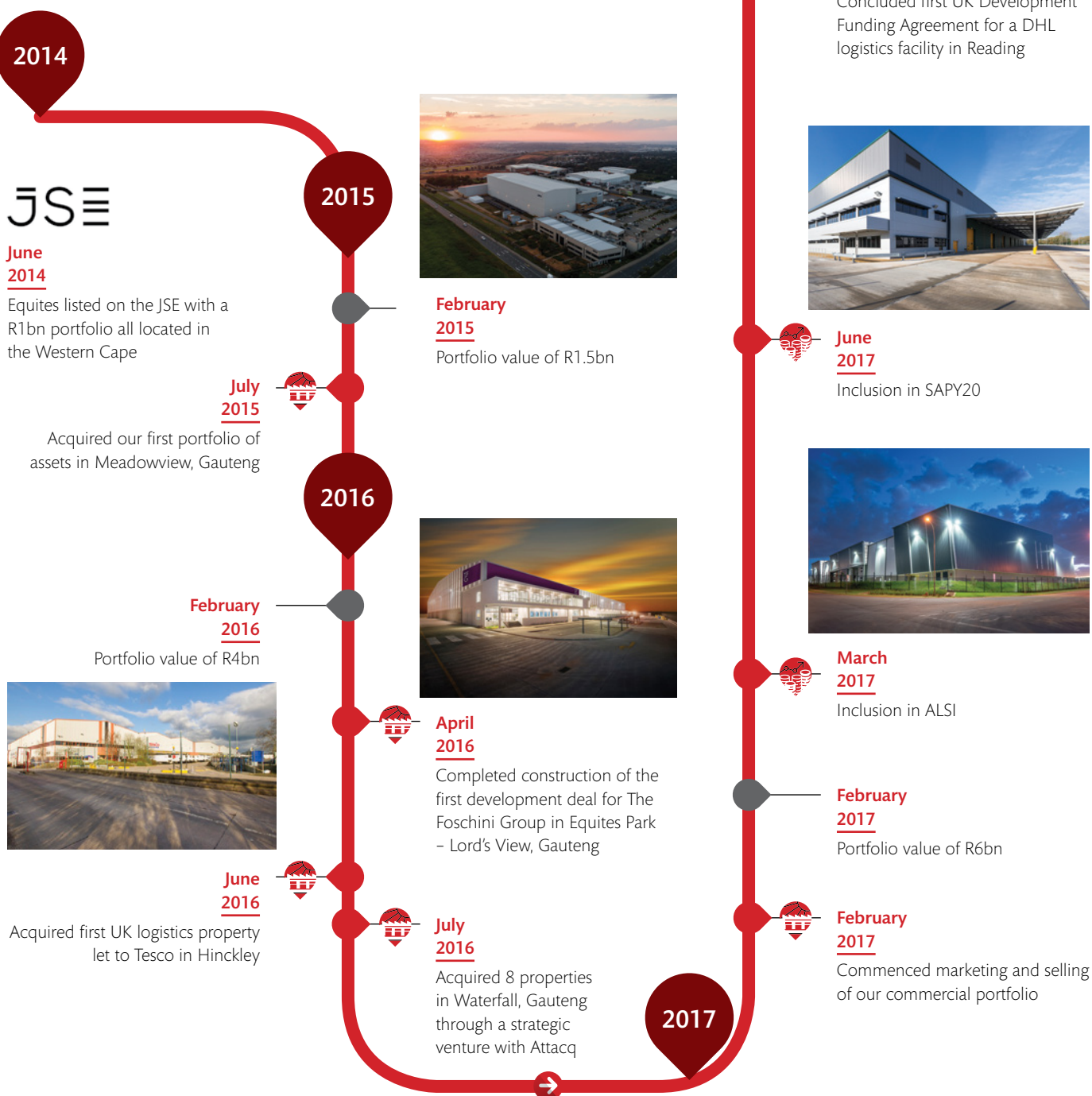
Shareholder value creation

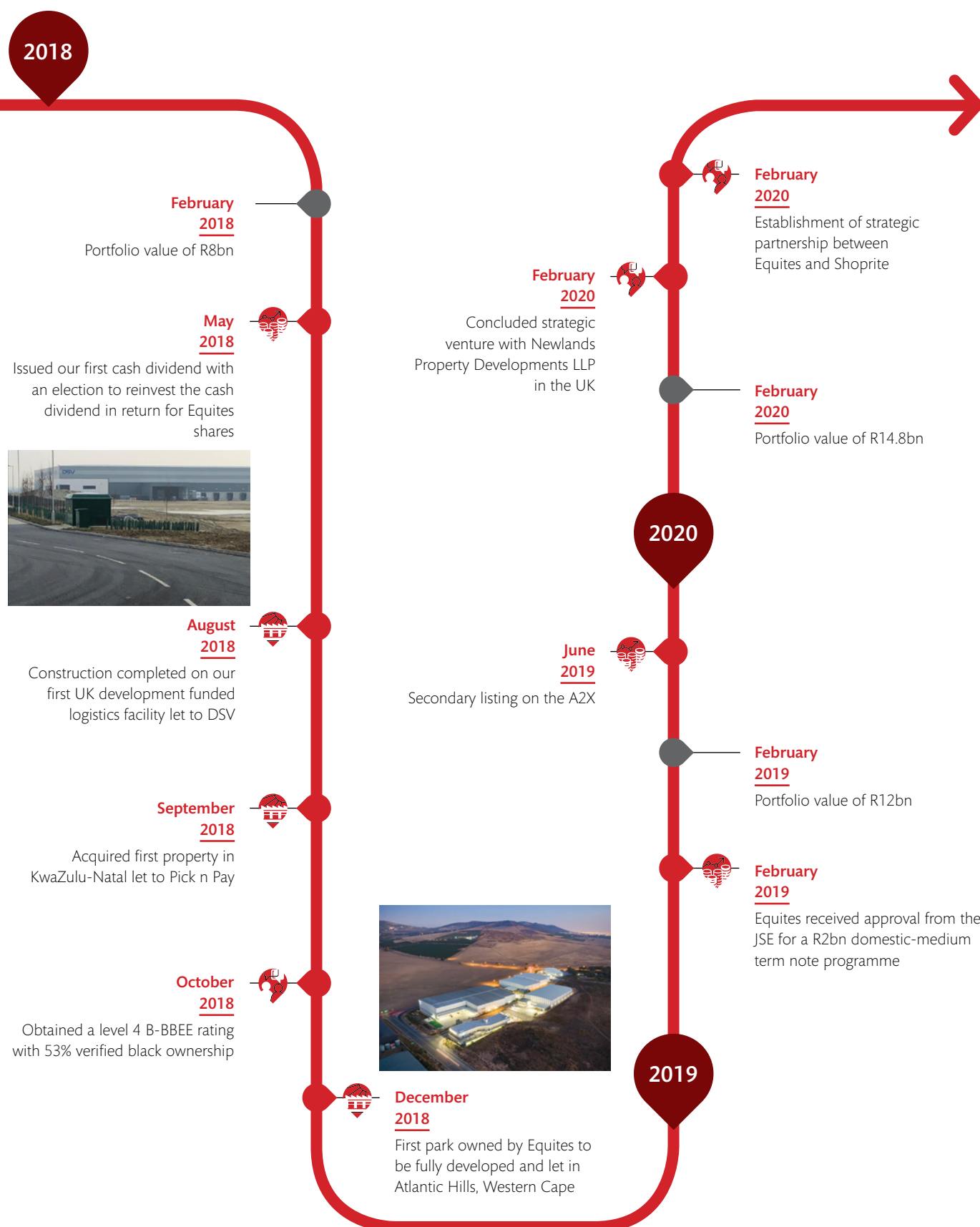


Refer to report within this Integrated Report

Historic timeline

Equites has been relentless in its pursuit to cultivate a portfolio of prime logistics assets within key logistics nodes across two jurisdictions.





Organisational highlights

SA Portfolio¹

Gauteng key nodes

The group's strategy in SA is focused on acquiring large, single assets or portfolios which meet strict investment criteria and developing world class distribution centres for blue chip tenants. The group acknowledges that the Durban-Gauteng freight corridor is a backbone of the SA freight transport network. 40% of the group's portfolio value is situated along this corridor.



7.7%
Weighted average
SA lease escalation

7.2
WALE² of SA portfolio
(in years to expiry)

R8.6bn
SA portfolio value

¹ Tenants listed above are a subset of the group's portfolio.

² Weighted average lease expiry

UK Portfolio¹

Supply chain productivity

The group's strategy in the UK is to focus on the development and acquisition of big-box logistics assets and last-mile fulfilment centres close to major conurbations. Equites is acutely aware of the impact of e-commerce on the retail landscape and acknowledges the impact this will have on the demand for logistics warehouses, which it is well positioned to meet. Through the group's strategic venture with Newlands, it will look to unlock significant value through developments in prime locations.



1

Hinckley



2

Burgess Hill, Swansea



3

Stoke-on-Trent, Peterborough



4

Peterborough



5

Reading, Leeds



6

Coventry



7

Stoke-on-Trent



8

Burgess Hill



5.3%

Average UK
acquisition yield

14.1

WALE of UK portfolio
(in years to expiry)

£310m

UK portfolio value

¹ Tenants listed above are a subset of the group's portfolio.

How we create value

The Equites journey to value creation

Inputs



Financial capital

- Optimal debt and equity mix
- Diversified sources of finance
- Strong liquidity
- Phased debt maturity profile



Social and Relationship capital

- Stakeholder engagements
- Deep-rooted trust
- Reputation as an industry leader
- Be a socially responsible corporate citizen



Manufactured capital

- High-quality logistics facilities
- State-of-the-art pre-let developments
- Healthy development pipeline
- Planned portfolio acquisitions



Human capital

- Wealth of experience in logistics
- Established property skill sets
- Strong analytical ability
- Focused and collaborative team morale



Intellectual capital

- Robust culture of corporate governance
- Strong ethical foundation and values
- Information technology solutions



Natural capital

- Land under management in strategic locations
- Alternative water and energy sources
- Responsible waste recycling

Business activities

Acquisition of vacant land

We aim to hold land strategically in key logistic nodes to enable us to readily serve existing and new tenants. With our focus being on high-quality A-grade tenants situated in key logistic areas of SA and the UK, we aim to offer solutions to improve the supply chain of our tenants and bring about efficiencies to their operations.



Instilling sound corporate governance



Community involvement



Relationships deeply rooted in trust

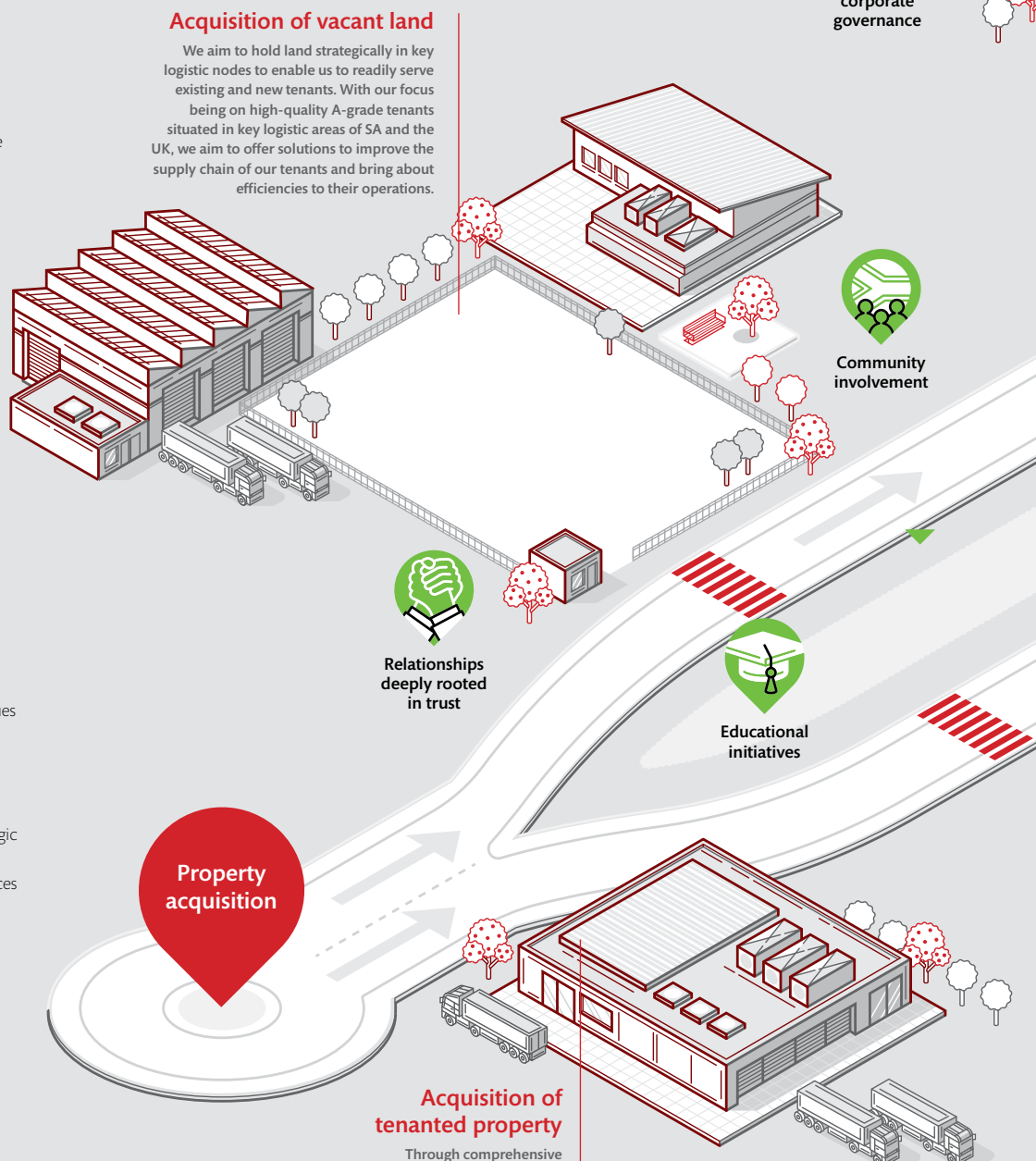


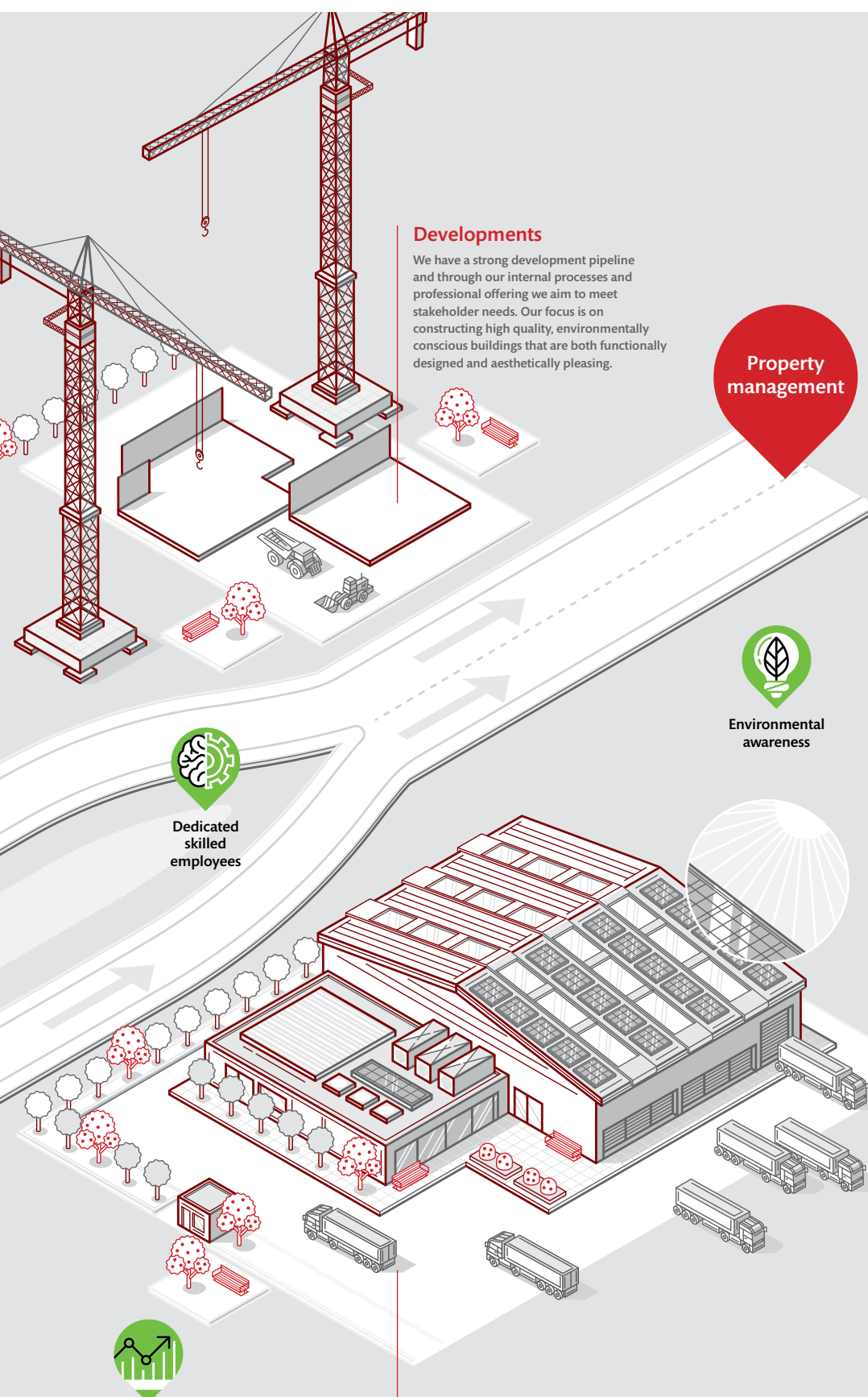
Educational initiatives

Property acquisition

Acquisition of tenanted property

Through comprehensive feasibilities and due diligence procedures, we identify strategic acquisition opportunities and partnerships to add to our world-class portfolio.





Developments

We have a strong development pipeline and through our internal processes and professional offering we aim to meet stakeholder needs. Our focus is on constructing high quality, environmentally conscious buildings that are both functionally designed and aesthetically pleasing.

Property management

Environmental awareness

Dedicated skilled employees

Shareholder value creation

Property management

Through our constant tenant engagement, we seek ways to improve the premises to enable them to optimise use of the property to meet their business needs. We walk alongside our tenants in their journey, thereby building trusted-longstanding relationships with them.

Outcomes



Financial capital

- NAV grew by 3.7% in FY20 compared to FY19
- DPS growth for FY20 was 9.4%
- Our cash and available facilities remains substantial at R1.5 billion as at 29 February 2020
- All-in cost of debt fell by 77 basis points to 5.94% in FY20



Social and Relationship capital

- Marked increase in brand recognition during the year
- Sustained investor confidence
- Well regarded in industry as being leaders in logistics
- Job creation in local communities



Manufactured capital

- Our portfolio value increased to R14.9 billion, up 24.4% as at 29 February 2020
- Completed seven developments in total across SA and the UK in the past during FY20
- 1.4% vacancy rate in the group's logistic portfolio as at 29 February 2020
- The WALE across our portfolio increased to 10.2 years as at 29 February 2020



Human capital

- Continued development through training and education
- We hired a further seven skilled people to our organisation in FY20
- There is an extremely low staff turnover across all functions
- We continue to encourage gender diversity with 66% female employees as at 29 February 2020



Intellectual capital

- Increased information technology solutions
- Easier access to information
- Strong corporate governance principles
- Drive towards paperless operations



Natural capital

- Increased promotion of water saving techniques in our builds
- Obtained our first 4 star "as-built" green rated building
- World-class baseline specifications implemented



Financial capital

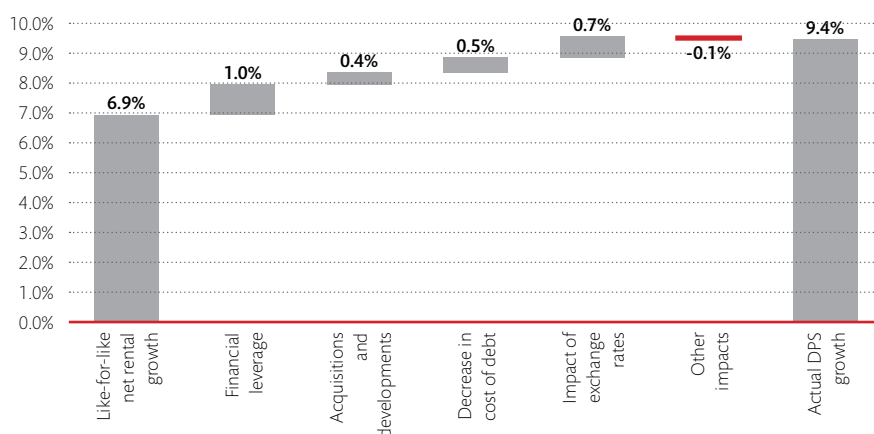
Equites has continued to employ conservative financial risk management policies by diversifying its sources of funding, maintaining strong liquidity, and phasing the maturity of its debt profile. Equites' financial performance for the current year demonstrates that the group has continued to efficiently allocate capital to create sustainable income growth while focusing on long-term capital appreciation as a result of sound investment decisions, optimising the cost of capital and through effective property and asset management.

FY20 Highlights

- ⇒ Achieved growth in DPS of 9.4%
- ⇒ 3.7% growth in NAV per share
- ⇒ LTV at 29 February 2020 at 26.1% (including equity capital raise)
- ⇒ R1.5 billion of cash and available facilities at 29 February 2020 (including equity capital raise)
- ⇒ All-in cost of debt fell from 6.7% to 5.9% at 29 February 2020

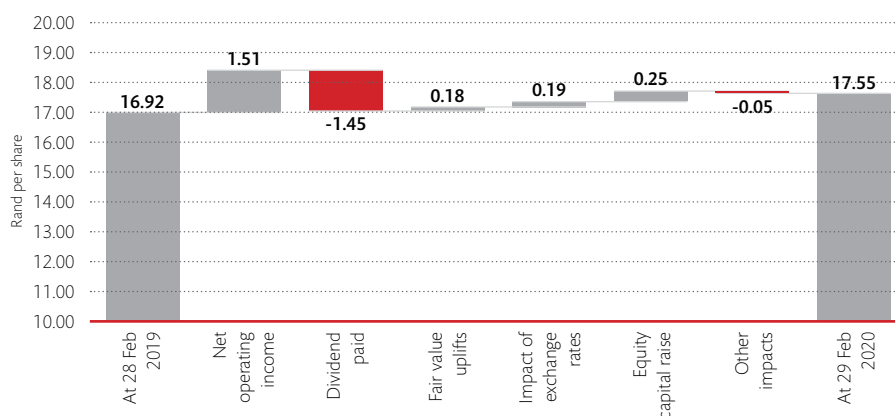
Distribution per share

DPS grew by 9.4% compared with the prior financial year mainly as a result of strong growth in like-for-like net rental income which is largely a product of the longevity of the WALE.



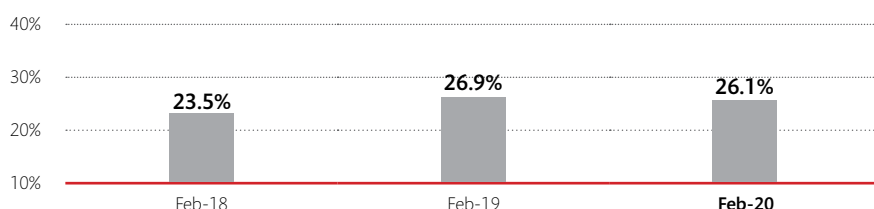
Net asset value per share

NAV per share increased from R16.92 at 28 February 2019 to R17.55 at 29 February 2020, an increase of 3.7%. The growth in NAV per share is largely a product of the capital appreciation of the portfolio, the impact of rand depreciation and the effects of the equity raise.



Loan-to-value

Paramount to the group's financial stability is its LTV. A conservative LTV provides the group with the necessary flexibility required to facilitate a strong development pipeline and to take advantage of future growth opportunities.



The LTV at 29 February 2020 was 26.1% (including the equity capital raise) which is well within the group's target range of 25% to 35%.

The group had available undrawn facilities of R1.4 billion at 29 February 2020 and R2.9 billion of the group's properties were unencumbered at 29 February 2020, providing significant flexibility for the 2021 financial year.

Social and relationship capital

Social and relationship capital refers to our relationship with all stakeholders. This includes human capital, our tenants, financial institutions, investors, suppliers, communities in which we operate and broker networks. Our engagement with stakeholders is paramount to achieving success.

Tenants

Our tenants continue to prefer the high-quality A-grade logistics facilities that we develop in key logistics nodes in SA and the UK. Our ability to work productively with our tenants to provide the logistics facilities that they require forms the linchpin of our long-term success. We strive to make our facilities the destination of choice for our tenants. We regularly interact with tenants to ensure that their logistic needs are being met and any queries are timeously resolved. During the current year, we were given the go ahead to extend an existing facility and develop two new facilities for a single tenant.

Financial institutions

Banks and other financial institutions are regularly engaged to provide timely access to financial capital at competitive rates which enhances the long-term value that we are able to generate for all our stakeholders. Our open lines of communication and our deep-rooted trustworthiness enables us to successfully exceed other's expectations. We are able to leverage our relationship to structure deals in the best interest of our investors.

Investors

Investors provide us with the ability to create value and deliver strong income growth from a portfolio of high-quality logistics assets through the investment of financial capital. We continuously engage with both existing and potential investors to understand their needs and concerns as we strive to enhance our symbiotic relationship. We regularly engage with investors through investor presentations, road shows and direct contact with key investors.

Suppliers

Suppliers play a pivotal role in enabling us to deliver an unrivalled portfolio of truly distinctive A-grade logistics facilities to our tenants, as well as to ensure the efficient operation of these properties. We are able to enhance occupier demand for our facilities largely as a result of the high standards that our suppliers adhere to both in the day-to-day operations and in the construction of major developments. Our dedicated operations managers and our development team regularly engage with suppliers to ensure an ongoing mutually beneficial relationship. During the COVID-19 lockdown, Equites provided property management and development vendors with donations to ensure these vendors are in a position to continue to pay their staff.

Communities

The communities surrounding our SA logistics nodes are an important consideration for the development team when conducting their activities. Through an assessment of the community needs we are able to create jobs and promote skills development, consequently improving the social economic environment of those living in these areas. Our drive towards community upliftment enables us to focus our efforts not only on our development activities but also on the betterment of those affected by our operations.

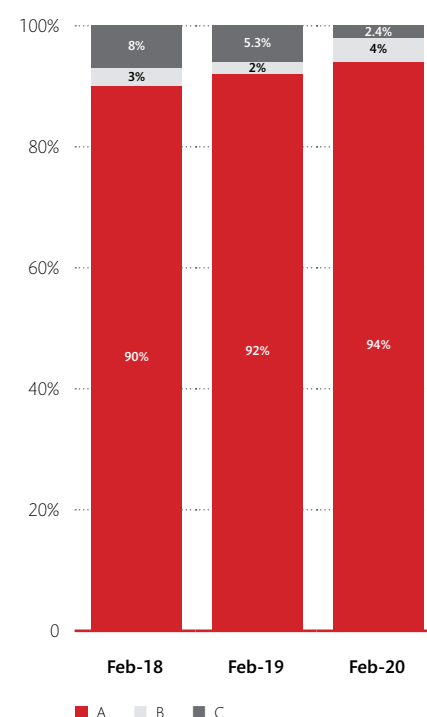
Broker network

Our professional broker network acts as an intermediary between us and prospective tenants in relation to fulfilling vacancies and new development opportunities. Our relationship with our professional broker network is therefore critical to us ensuring that we are able to secure investment grade tenants on long dated, fully repairing and insuring leases which is the cornerstone of our logistics portfolio. Our dedicated business development team is responsible for creating and enhancing our broker network.

FY20 Highlights

- ⇒ Sustained investor confidence
- ⇒ Marked increase in brand recognition
- ⇒ Well regarded in industry as being leaders in logistics
- ⇒ New development opportunities resulting from tenant relationships
- ⇒ Job creation and social upliftment

Tenant profile by revenue



Manufactured capital

Equites has curated a high-quality logistics portfolio across SA and the UK, with a focus on assets that are modern, well-located, and tenanted by A-grade users on long-dated leases. The group benefits from being a market leader in this class of specialisation, where the company is still the only listed property company on the JSE to provide shareholders with pure exposure to prime logistics.

Our ability to create value stems from the acquisition of well-positioned land, which is suitable for development, the procurement of tenants through development leases and managing the construction process through the entire lifecycle.

We apply a strict baseline specification which is inspired from global best practice and this therefore remains one of our competitive advantages in SA. Equites has successfully achieved its first Edge Advanced Certificate for the Equites Park Lords View facility let to Premier Foods; and have since implemented this accreditation standards across all new developments.

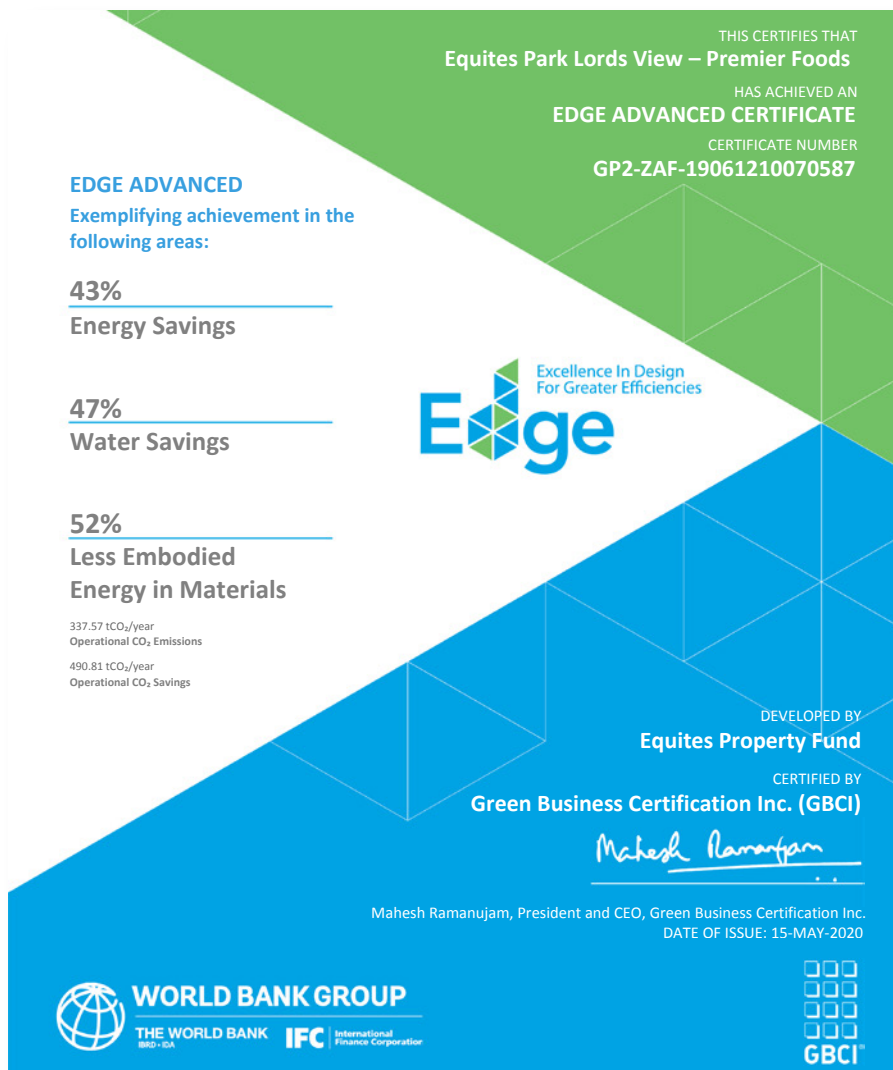
The demand that has been placed on the logistics asset class in the UK both by institutional property investors and leading global property investors, together with the scarcity of investment-grade facilities which meets Equites' investment criteria, have compressed yields to a level that makes it difficult for Equites to compete for new product. This scarcity has become more pronounced as UK REITs and other property companies have entered into exclusivity agreements with leading developers in the UK. Equites' decision to partner with a best-in-class development team in Newlands provides us with the opportunity to unlock value on land holdings in the UK in the coming years, thereby ensuring that we are able to continue to grow the UK portfolio by developing assets at a discount to market value.

FY20 Highlights

➡ Increase in WALE from 8.8 years to 10.2 years

➡ 8.7% growth in income-producing GLA to 700 149m²

➡ 24.4% increase in portfolio value to R14.9 billion



THIS CERTIFIES THAT
Equites Park Lords View – Premier Foods
HAS ACHIEVED AN
EDGE ADVANCED CERTIFICATE
CERTIFICATE NUMBER
GP2-ZAF-19061210070587

EDGE ADVANCED
Exemplifying achievement in the following areas:

- 43%**
Energy Savings
- 47%**
Water Savings
- 52%**
Less Embodied Energy in Materials

337.57 tCO₂/year
Operational CO₂ Emissions
490.81 tCO₂/year
Operational CO₂ Savings

Edge Excellence In Design For Greater Efficiencies

DEVELOPED BY
Equites Property Fund
CERTIFIED BY
Green Business Certification Inc. (GBCI)
Maresh Ramanujam
Maresh Ramanujam, President and CEO, Green Business Certification Inc.
DATE OF ISSUE: 15-MAY-2020

WORLD BANK GROUP
THE WORLD BANK IFC International Finance Corporation

GBCI

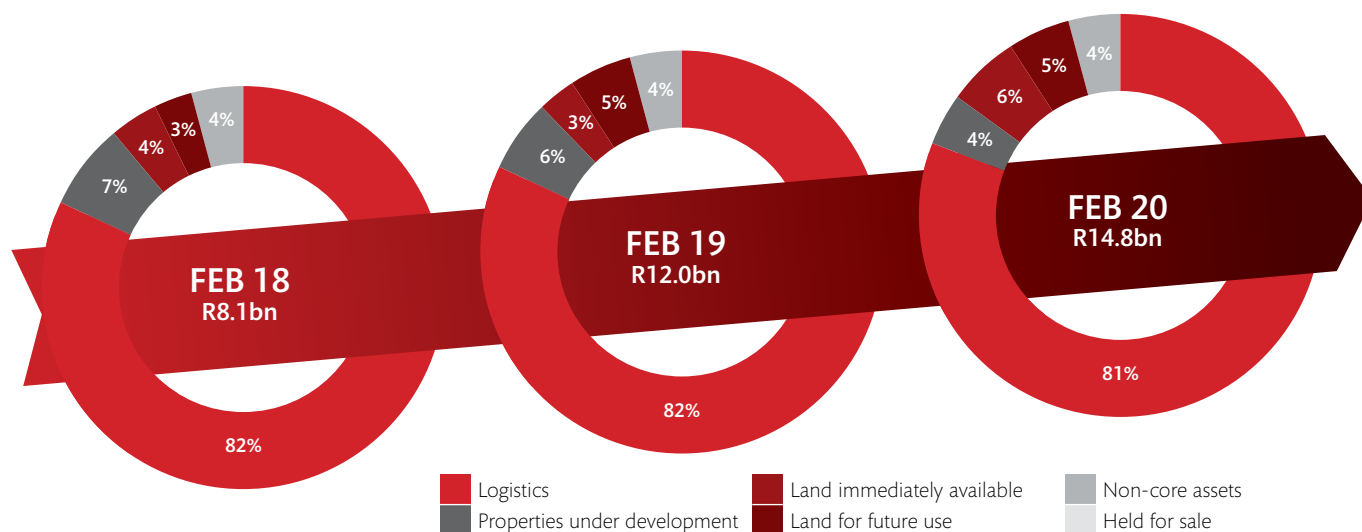
Edge Advanced Certificate for the
Equites Park Lords View facility

Property classifications

Property type	Description
Modern distribution centre	Well located properties with high specification levels including ultra-flat floors, large volumetric capacity, deep yards and advanced fire protection. Site coverage typically averages 50%.
Logistics campus	Properties that include both a modern distribution centre and the tenant's head office (national or international). Given the number of head office staff, these properties also typically have a larger number of parking bays and other value adding elements. The office components are exclusively A- and P-grade, which increases the average value significantly.
Cross docking/ ultra-low coverage	Properties that are designed to meet the needs of a 3PL or last-mile fulfilment occupier and necessarily have a site coverage of below 35%. This category includes cross-docking facilities and city distribution units where the value of the yard increases the comparable value on a GLA basis.
Other	All properties that are not used for logistics. This category includes a jet hangar, a bakery and the commercial property in our portfolio.

Portfolio movements

All acquisitions and developments are expected to create value and increase the overall quality and defensiveness of the portfolio. When evaluating the feasibility of a transaction, we determine an acceptable rate of return over the investment horizon by calculating the weighted average cost of capital and adding an appropriate risk premium which considers the location, lease length, lease escalation rate, covenant strength and any other factors that might materially alter the investment risk.



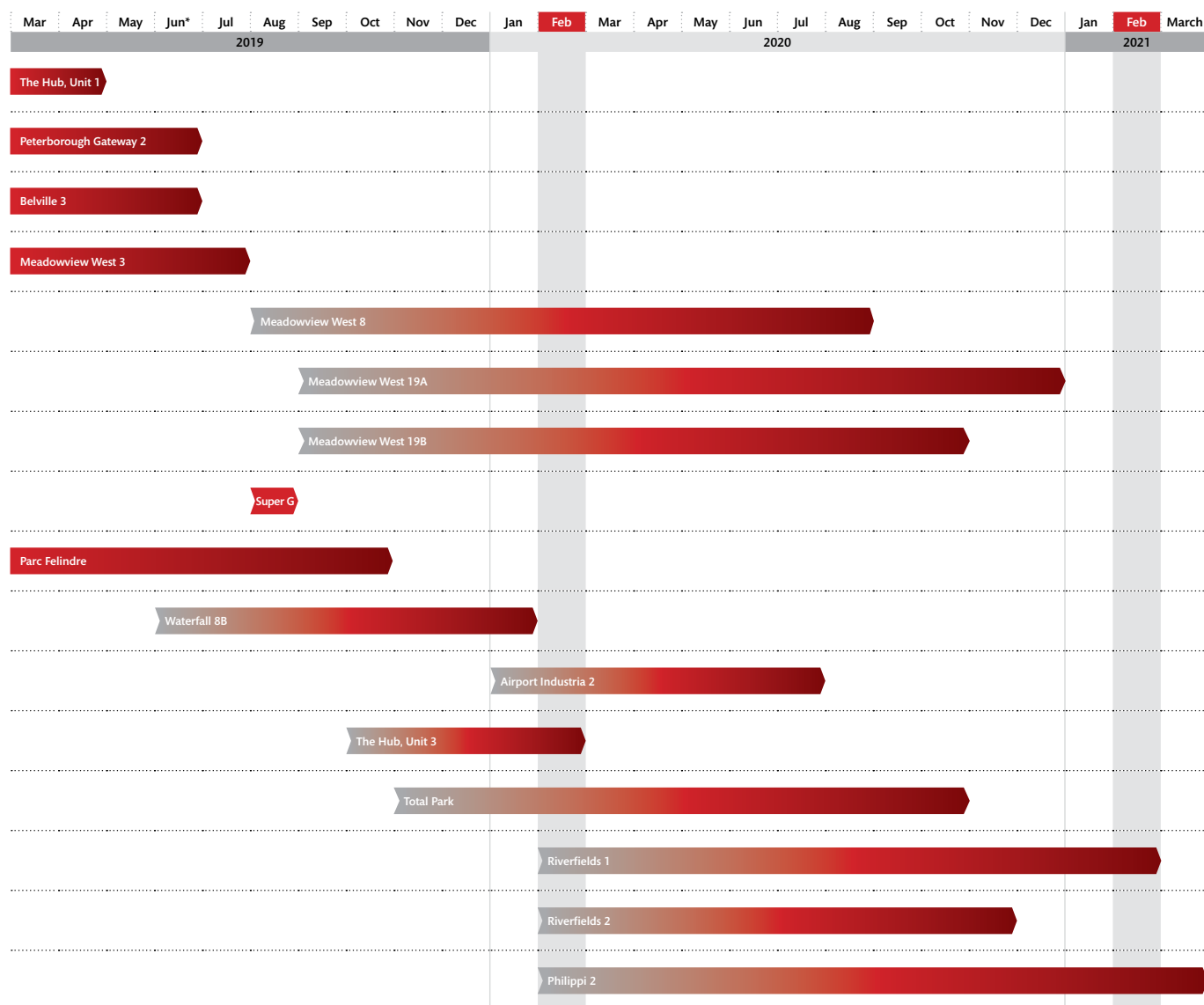
Manufactured capital continued

During FY20, Equites has delivered a total of seven assets with a capital value of R1.3 billion. Due to the exacting nature of these buildings and the highest quality standards adhered to in all new builds, Equites view this as an increasingly important source of the portfolio's growth in future years.

In the UK, Equites concluded two acquisitions of land and entered into options over four other land parcels as part of our strategic venture with Newlands. The first transaction related to the acquisition of 12 hectares of land in Basingstoke for a consideration £14.2 million. While planning approvals are only expected later in 2020, the land has already been marketed to interested users and

we expect a deal to be imminent. The second transaction relates to the acquisition of a 6.7 hectare plot in the Peterborough Gateway logistics park for a price of £7.3 million. All the requisite approvals are in place on this land parcel and the negotiations for a pre-let development are underway with a large e-commerce logistics user.

Portfolio developments and acquisitions



* Expected completion dates of ongoing developments is based on indicative assessments.

 Commenced development  Completed development  Acquisition

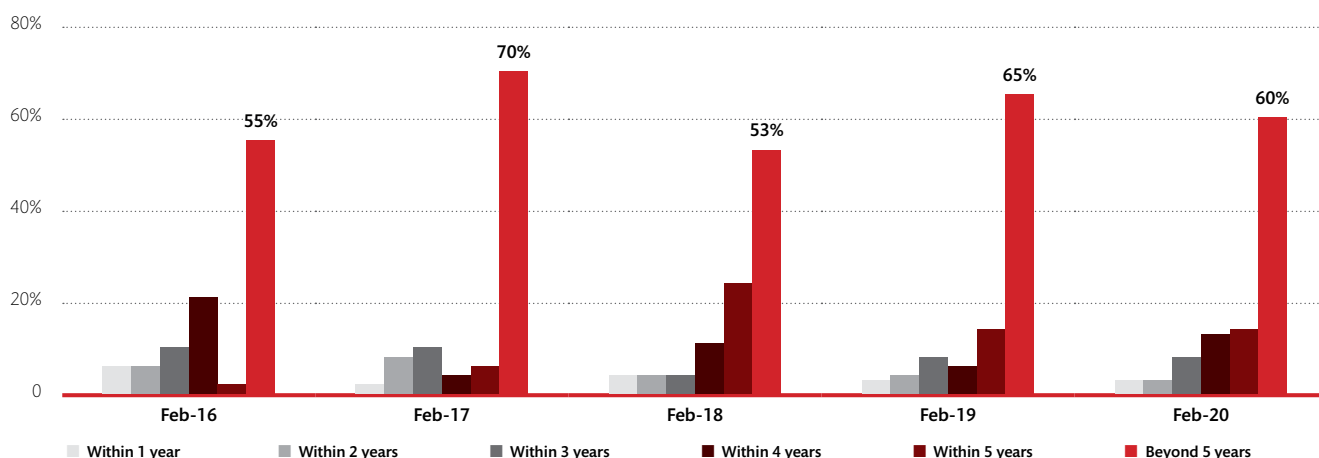
Property fundamentals

One of our competitive advantages relates to how we manage our properties. We are selective when assessing the tenants that we would like in our portfolio and we render a personalised service to each tenant to ensure the highest levels of tenant satisfaction. By constantly assessing the portfolio and managing individual sites, we strengthen our competitive position, attract, and retain quality tenants, maintain the integrity of the buildings, and consequently, support our property values.

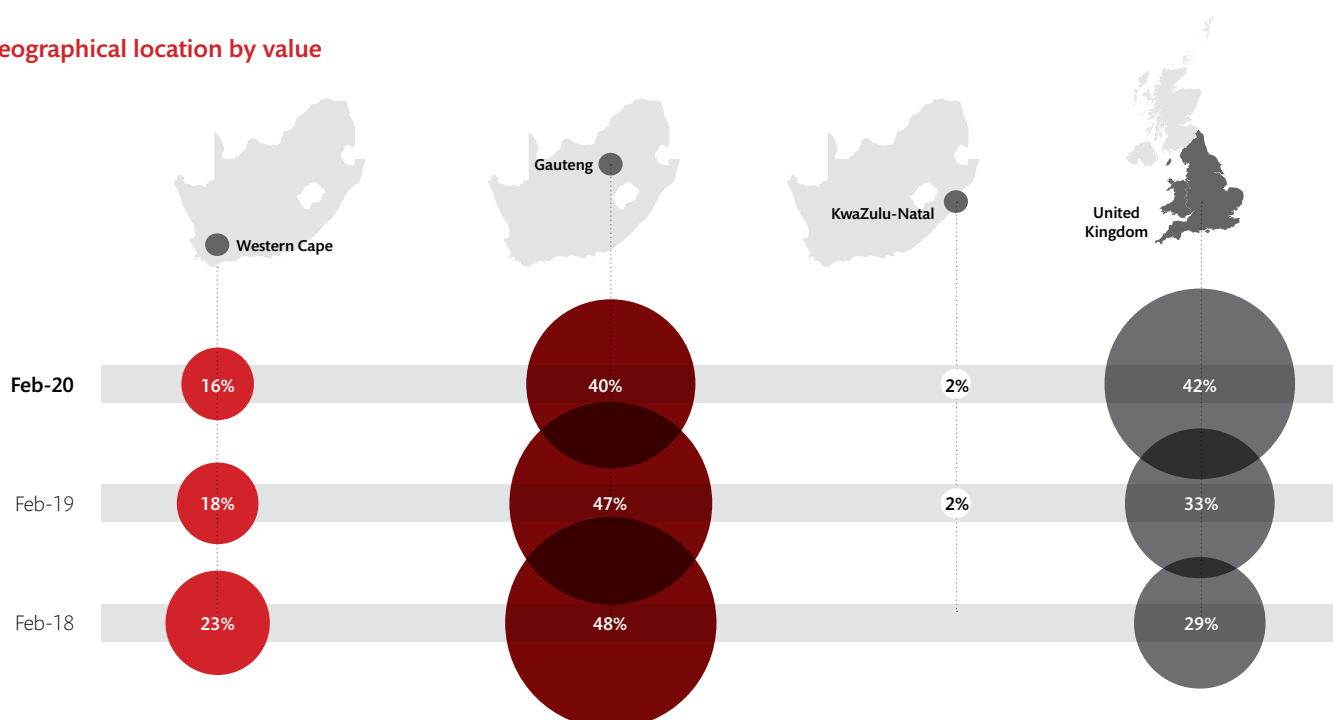
Our WALE of 10.2 years and proportion of A-grade tenants of 94% remain sector-leading. We invest in locations that evidence strong potential for capital and rental growth and which serve as proven nodes given their proximity to road networks, densely populated areas and accessibility to a large labour force. This suggests a high level of income predictability and a low risk of default. Less than 14% of our leases (based on contractual revenue) expire in the next three years.

Our portfolio is concentrated in key logistics nodes which are typically nodes with excellent road infrastructure, access to sufficient electricity and water supply, labour within close proximity and areas expected to benefit from strong occupier demand. While the UK portfolio continues to grow, the SA portfolio still contributed 74.5% of our total revenue for the financial year ended 29 February 2020. The largest single geographic concentration is Gauteng, with 48.3% of our portfolio currently situated in the region. We view this region as the hub of SA logistics and we continue to focus our growth efforts there.

Lease expiry by revenue



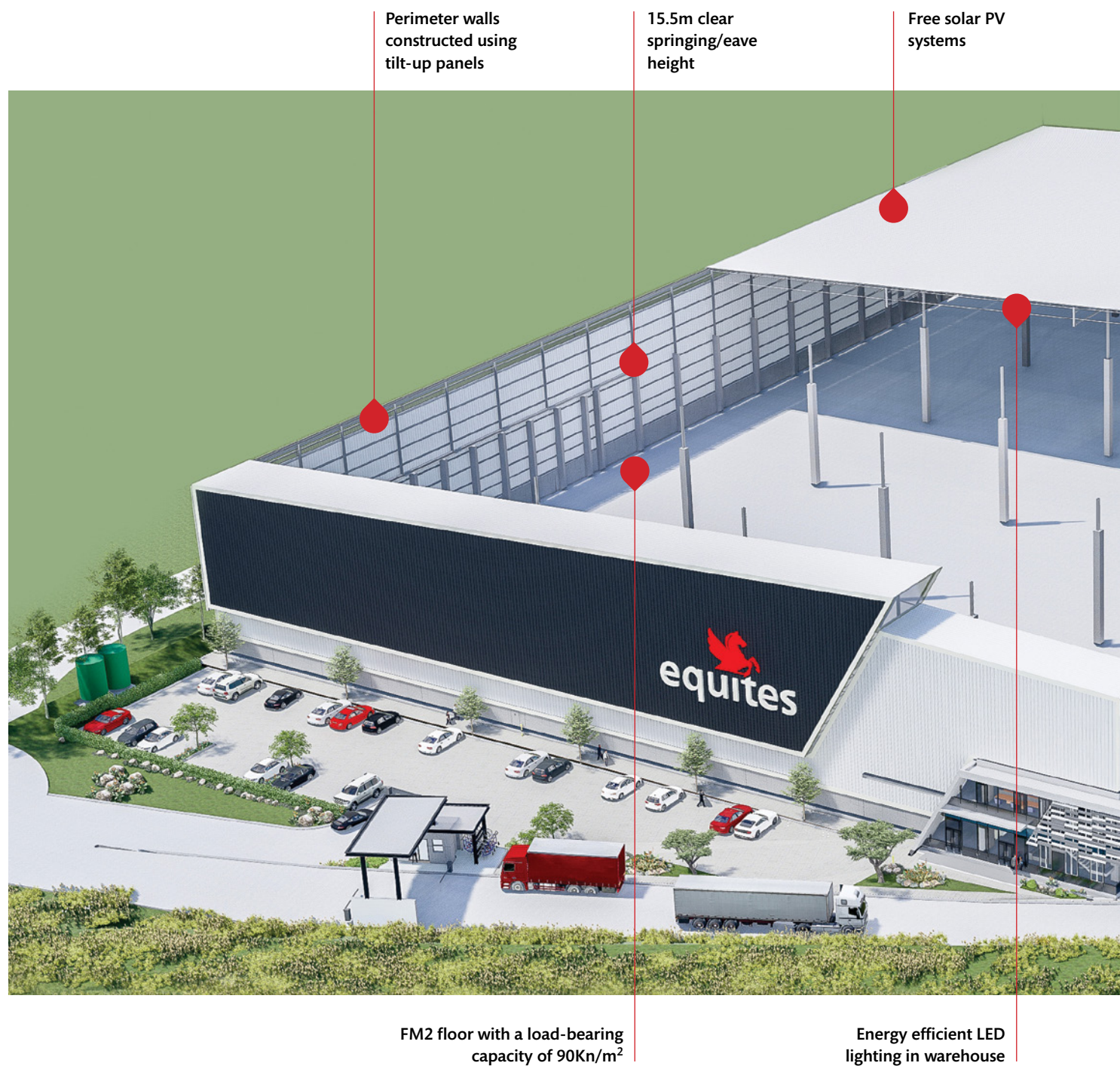
Geographical location by value

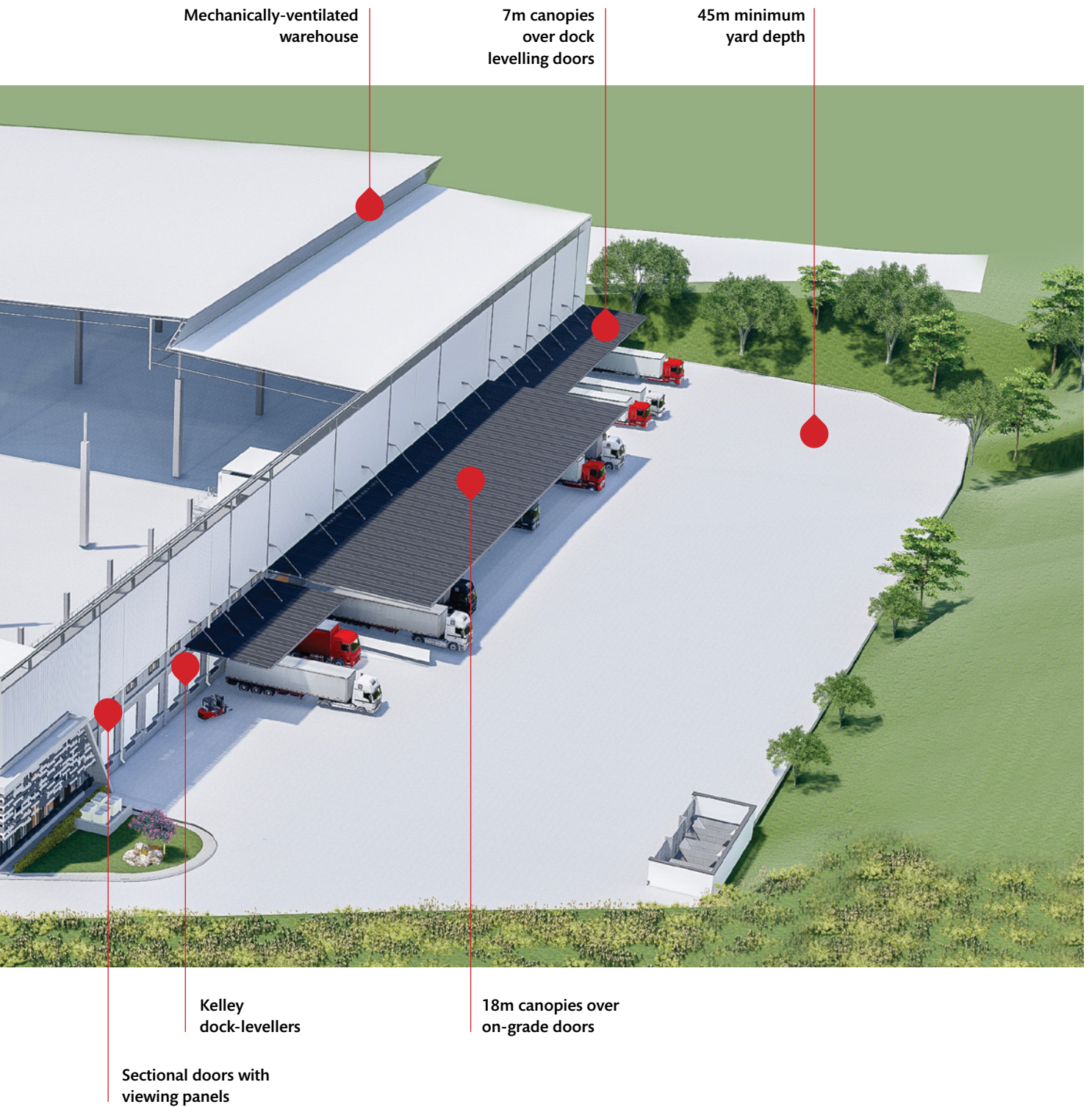


Manufactured capital continued

Modern distribution centre

Baseline specifications





Human capital

FY20 Highlights

⇒ Improved racial and gender diversity within our workforce

⇒ Seven new hires


⇒ Low staff turnover

Human capital refers to the knowledge, skills, training and experiences held by individuals within our organisation. Our human capital is undoubtedly one of the key drivers of the group's exceptional financial performance. We continuously engage with our people to improve employee motivation, reduce staff turnover and create an environment that is conducive to our people maximising their potential.

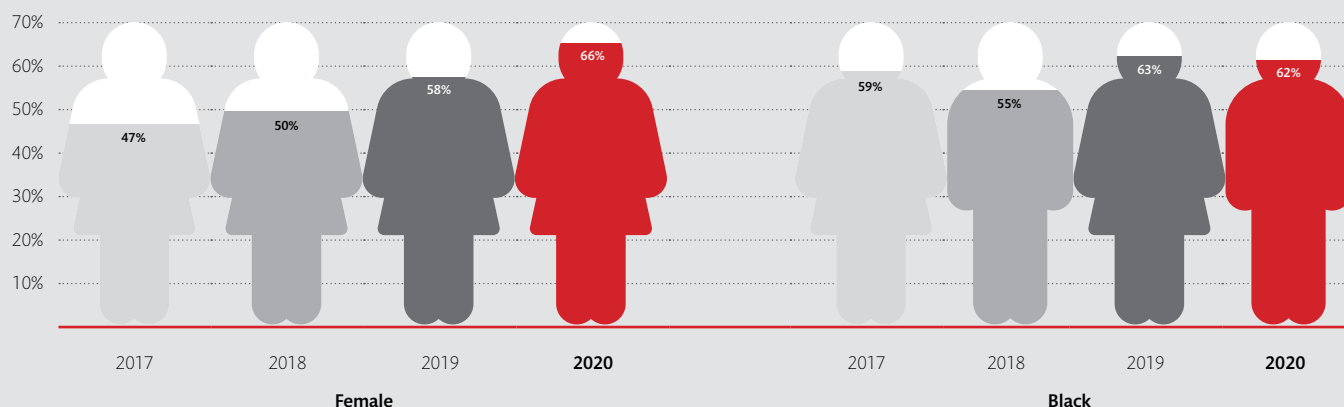
Equites is committed to hiring competent staff and retaining these talents with an inclusive work ethic and continuous training and development. Our ability to create this environment is evidenced by our growing work force combined with low staff turnover. Equites prides itself on being able to promote from within.

Employment equity remains a key priority in the recruitment process. We are proud of our diversity and inclusivity – this is evidenced by the growth in female staff members as well as black¹ staff members compared to the prior years.

Education is a key driver to maximising our people's potential and to encourage individual growth. The group has an in-house training programme to enhance employees' knowledge of the industry, understand key trends in the sector, transfer basic accounting and legal skills to non-specialists, and to enhance the use of software to provide more efficient business solutions. The training sessions are facilitated by individuals within the group and are based on topics driven by the collective workforce. In addition, the group encourages its staff to further their education and provides funding and support services to employees who wish to further their education.

Employees are regularly asked to recommend topics which they would like to receive training for, and soft skills training was a common response. During the current year, Equites initiated Emotional Intelligence training for all staff members, hosted by an independent third-party. Refer to our Integrated Report for further details. 

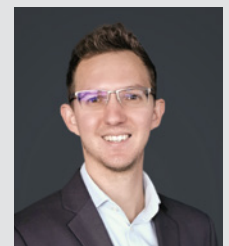
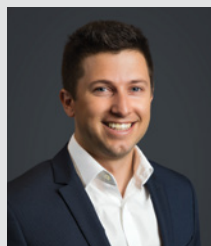
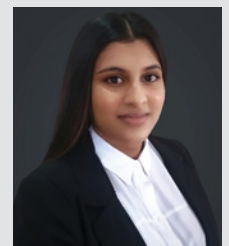
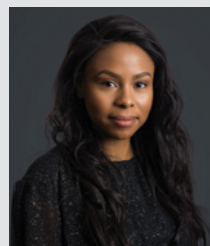
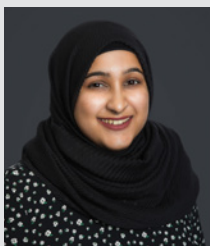
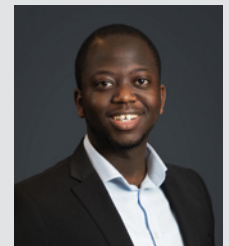
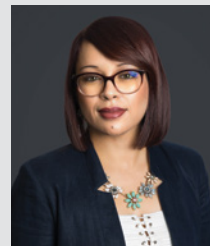
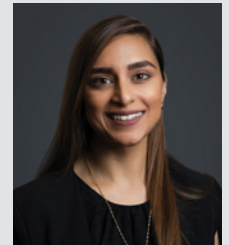
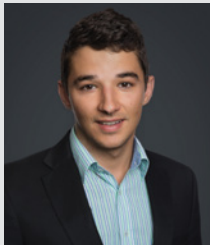
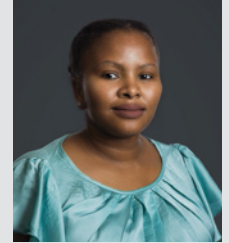
Employee composition



¹ Black as defined in the BBBEE Act

Our team

Equites had a staff compliment of 3 people on listing with a single head office in Cape Town managing 20 properties exclusively located in the Western Cape. Today, Equites has a largely transformed workforce of 30 employees located in the Western Cape and Gauteng managing 63 income-producing properties and 6 ongoing developments located in the Western Cape, Gauteng, KwaZulu-Natal and the UK.





Intellectual capital

FY20 Highlights

- ⇒ Strong corporate governance principles
- ⇒ Increased efficiency through information technology solutions
- ⇒ Information is accessible from anywhere
- ⇒ In line with sustainability initiatives, move towards being fully paperless

Intellectual capital is defined as the organisation-wide knowledge such as policies and procedures, organisational culture and information technology. Equites strives to continuously enhance its policies and procedures to provide an all-inclusive, fair and transparent work environment. We invest in information systems which assist in streamlining our processes, provide an efficient work environment and facilitates the seamless sharing of information.

Policies and procedures

Equites' policies and procedures have been implemented to ensure a safe and fair environment for all stakeholders. These are aligned with our governance framework which is essential for achieving our long-term strategic goals. We facilitate regular interactions with our staff to maximise the effectiveness of these policies and procedures and to determine ways in which these can be continuously improved upon.

Organisational culture

Our culture is constantly evolving in order to create an inclusive environment in which employees feel heard, appreciated and encouraged to perform at their optimal levels. The board sets the tone at the top and a unified message is conveyed to all employees and stakeholders throughout the organisation. Employees are regularly surveyed on their understanding of the culture and workshops are held to brainstorm methods and means of improving this culture with a view of continuous improvements.

Technology

The majority of information technology solutions employed by the group are cloud-based. This enables staff to access information from any location and from any device, allowing them to be closer to information and increasing efficiency.

Technology is incorporated at every step of our value creation process. During the development phase of a property, software has been designed to enable contractors to interact directly with the development team, from the initial design phase of a development all the way through to completion. This ensures that all members of the development and construction team are in constant communication and promotes effective collaboration.

During FY20, Equites has introduced AI¹ technology to automate data capturing processes and to assist the group in its efforts of going paperless, streamlining processes and improving efficiencies.

Intellectual capital during the COVID-19 lockdown

On 23 March 2020, President Cyril Ramaphosa announced the nationwide lockdown effective at midnight on 26 March 2020. Many organisations were not in a position to accommodate their staff to work from home once the lockdown took effect and last-minute arrangements and changes had to be made for this to happen. Equites was in a fortunate position that with the intellectual capital employed, the transition to work from home was seamless.



Each employee has a company-provided laptop and additional arrangements were made to provide those individuals, with no internet access at home, with mobile internet devices to ensure accessibility.



All operating systems, software employed and document storage solutions are cloud-based and accessible from anywhere.



The majority of Equites' processes became paperless during the last year. This allowed for processes to continue to operate under lockdown with minimal change.



Open communication amongst all levels of staff has been emphasised to ensure Equites operates effectively during this period.

¹ Artificial intelligence



Natural capital

Equites views our natural capital as renewable and non-renewable naturally occurring resources on our planet. As inhabitants of our planet, in each stage of our developments and/or property management operations we continually assess the impact on our environment when making decisions and how these natural resources can be used effectively with minimal disruption and damage. In these impact assessments, we consider the preservation and continuity of our natural commodities and aim to minimise wastage wherever possible.

Land

As a key component of our business relates to property development, land is essential to the growth of our portfolio. Equites strives to acquire land in key logistics nodes with well-developed infrastructure and access to services, but also pays significant attention to the environmental impact of developments to ensure that our activities have minimal impacts on the surrounding flora and fauna.

Instead of importing materials to fill a site or exporting excess material to dump sites, we either sustainably source materials locally from nearby sites or re-use and repurpose materials excavated during the groundworks phase of a development. We also try to repurpose land for optimal use within that development or investigate ways that it could potentially be used for other development sites within the group. Materials would include sand to fill a site, topsoil which is re-used for planting purposes, vegetation which is replanted and rocks that can be used as part of landscaping features.

The group aims to use resource efficient materials in its development with a large focus on recycled content in the steel structures and reinforcement of concrete, without compromising quality. Where sites are demolished, Equites aims to recycle materials by crushing it and incorporating it into the new development.

On an on-going basis, Equites plants and maintains the landscapes at all parks. Landscapes are designed to minimise irrigation to ensure water conservation. We also contribute towards the upkeep and maintenance of natural habitats surrounding our parks.

Water

The water crisis that prevailed in various parts of SA over the past few years has been an eye-opener to many in terms of the scarcity of, what most people see as, an abundant natural resource. This prompted Equites to implement proactive water saving methods and equip properties with access to alternative water sources. As a result, it not only necessitates preservation of our existing water reserves but also enables continuity of our client's operations in the event that a similar crisis resurfaces.

The majority of our industrial parks in SA have access to boreholes which provides additional non-potable water to the surrounding properties. Most of our properties make use of rain harvesting to increase their water capacity and newer developments include a water reserve tank which ensures that the property has access to municipal water when supply is cut. There are also a few instances of properties that have well points installed. Equites continues to increase water reserve capacity at selected properties depending on clients' needs.

Storm water systems at newer developments are designed to eliminate excess grease, oil, sediment and litter before draining to onsite retention ponds to alleviate stress on the system and pollution.

Energy (sun, coal and diesel)

Similar to the solar energy generation system installed in Premier FMCG, our 4-star "as built" green star rated building in Equites Park – Lords View, Equites plans to incorporate solar systems in future developments of the same nature. This system provides energy to the building on which it installed as well as current

FY20 Highlights

⇒ World-class baseline line specifications applied to builds

⇒ Efficient and effective use of materials to ensure longevity and low on-going maintenance

⇒ Obtained first 4 star "as-built" green rated building


and future neighbouring buildings in the park, thereby reducing demand on the local grid and decreasing our greenhouse gas emissions associated with energy generation.

All new developments are built with energy efficient lighting and full LED¹ fittings. On existing buildings, Equites recommends that clients replace old fixtures with LED's to reduce electricity consumption and increase longevity of the fixtures.

Currently, the majority of properties have diesel reliant back-up generators installed to minimise the impact of load-shedding and to ensure business continuity in the case of power outages.

Monitoring

Equites is in the process of rolling out smart meter reading devices to its properties which will be continually monitored by outsourced meter reading companies. Any abnormal usage will be detected timeously and any leaks and/or disruptions can be addressed efficiently to avoid unnecessary wastage.

Refer to the Sustainability report on pages 20 to 26 for further information on how natural capital is employed within the organisation. 

¹ Light Emitting Diode

Sustainability report

The 2020 financial year was marked by a challenging economic environment with many challenges such as load shedding, rising unemployment rates, muted GDP, COVID-19 and dampened consumer confidence. Despite these challenges, Equites has managed to grow its portfolio and achieve positive financial results for shareholders. This cannot be said, however, without mentioning our impact on other stakeholders and our drive not only towards our bottom line but also towards creating sustainable value.

When we started six years ago as a niche REIT focused on logistics, we concentrated on building a reputable brand with a high-quality portfolio. However, we also recognise that without consideration of the environment, our employees, tenants, the communities in which we operate and our suppliers, we cannot exist. As such, sustainable value creation has become an increasing focus for the group and in these tough economic times, instead of accepting the potential risks presented, we found ourselves capitalising and seeking opportunities to add value to our stakeholders.

To better amalgamate our core business with our sustainability focus, we underwent an internal review of how we can best focus our efforts to create sustainable value and devise a strategy around this. This included consideration around the UN Sustainable Development Goals ("SDG") and through identifying the areas in which we can make a meaningful impact, we have embarked on a

journey over the next few years to share focus with not only NAV and profit growth but wider value creation. Whilst we recognise that the impacts of this will not be immediate, we believe that our steady and consistent effort towards stakeholder value creation will yield long term positive results. This will be an iterative process and we will continuously monitor and evolve our sustainability strategy to adapt to our environment.

Material focus for our sustainability strategy












Equites regularly engages and communicates with various stakeholders to proactively maintain long-standing relationships to meet their expectations. We believe that this is key to building trust and by integrating stakeholder engagement into our business practices, we can better align our interests and create mutually beneficial outcomes for those affected.


Through our engagements we are able to:

- 1 Improve the effectiveness of our relationships
- 2 Generate shared value
- 3 Manage regulatory and compliance risks
- 4 Protect interests by addressing concerns raised
- 5 Maintain a good reputation and trusted brand
- 6 Create strategic partnerships

These engagements also assisted us in focusing on our sustainability efforts. Through our engagements, we underwent a process to identify the impacts our operations may have on stakeholders and we devised key material topics to focus on, based on the potential significance of our activities on our stakeholders and the group.

The following material topics were prioritised in 2020 and will be discussed throughout this report:

Material area of focus	Boundary
Ethics and anti-competitive behaviour	 
Serving our communities	
Customer centricity	 
Transformation	
Our employees	
Financial value	 
Environmental consciousness	 

Refer to our Integrated Report for an assessment on how Equites has scored in the above areas. 

UN Sustainable Development Goals



It was recognised that various stakeholders have differing interests in our group and are impacted in several ways by our business activities. We have summarised the following stakeholders based on the significance of our interrelationship with them throughout our operations:

Stakeholder	Nature of engagement	Areas of interest for the stakeholder	Actions to safeguard stakeholder interests
Customers (tenants)	<ul style="list-style-type: none"> One-on-one meetings between tenants and our property managers 	<ul style="list-style-type: none"> Property management and maintenance Maintaining trusted customer relationships Effective communication between tenants and Equites 	<ul style="list-style-type: none"> Formal visits and regular inspection of buildings Maintenance plan in place for all properties Consistent communication and information sharing between Equites and our tenants Roll out of tenant satisfaction surveys
Employees	<ul style="list-style-type: none"> Regular meetings between management and workforce Open-door policy culture encouraged in organisation Mandatory performance appraisals 	<ul style="list-style-type: none"> Create a positive and productive work environment that supports employee well-being and encourages employees to live our values Employee self-development and empowerment Appropriate reward and incentives offered 	<ul style="list-style-type: none"> Employee wellness programs introduced annually Team building and employee social events are organised Semi-flexible working hours and working from home policy in place Training and development are encouraged throughout the organisation
Investors	<ul style="list-style-type: none"> Investor presentations road shows Annual general meetings Direct contact with key investors 	<ul style="list-style-type: none"> Yield positive sustainable returns for our investors to meet their financial needs by making sound investment decisions Engage transparently with our investors and keep them informed of our latest performance and outlook 	<ul style="list-style-type: none"> Due diligence and governance process are followed prior to making an investment Only assets that meet our investment criteria are considered in investment decisions Risk-reward trade-off is considered to target long-term stable returns for our investors Regular communication of changes in the group either directly with shareholders or via media and SENS announcements
Broker network used to source tenants	<ul style="list-style-type: none"> Direct communication between Equites development team and our brokers 	<ul style="list-style-type: none"> Sourcing of quality tenants with sound financial backing, leading to infrequent vacancies lower risk of non-payment of rentals Potential negative impacts of short-term leases 	<ul style="list-style-type: none"> The focus of our lets is on established national/multinational tenants with good credit ratings and acceptable financial fundamentals
Financial institutions	<ul style="list-style-type: none"> Constant face-to-face and telephonic communication with financial institutions and other funding sources 	<ul style="list-style-type: none"> Cost of funding provided to Equites Equites failing to meet loan covenants Changes to the risk profile of the group because of debt/equity ratio being suboptimal 	<ul style="list-style-type: none"> Exploration of diversified sources of funding Constant monitoring of our loan covenants to ensure we are not in breach of them Maintenance of optimal debt/equity structure and ensuring that risk is assessed when making capital structure decisions Group policies regarding funding and hedging requirements are adhered to, resulting in responsible and informed decision making
Suppliers and contractors	<ul style="list-style-type: none"> Regular engagement by our operations and development teams with our suppliers and contractors on a one-on-one basis 	<ul style="list-style-type: none"> Sufficient time and resources made available to meet deadlines Compliance to service level agreements Health and safety requirements in place on site 	<ul style="list-style-type: none"> Regular progress updates with our suppliers and contractors Any issues with non-compliance are addressed timeously Health and safety standards are always adhered to during site activities
Communities in which we operate	<ul style="list-style-type: none"> Engagement is done through our partnership with Zibula Advisory ("Zibula") 	<ul style="list-style-type: none"> Minimal disruption to the living conditions and lifestyle of local communities Community involvement and social upliftment Communication of the potential impact of Equites' operations in the affected area and transparency from the initial stages to completion 	<ul style="list-style-type: none"> Involvement and consideration of the impact on communities in areas we develop and let our properties Creation of job opportunities to encourage community upliftment and skills advancement

Sustainability report continued



Management approach

We understand that underpinning a trusted brand and respectable reputation, our ethical foundation needs to be directed by leadership that cultivates behaviour that promotes the highest ethical standards and conduct. Ensuring that we uphold integrity in the way we conduct our activities is critical to us, and we hold this in high regard throughout the organisation.

Ethics

Our ethical conduct is the keystone of our organisation and we are committed to fair and ethical practices both within the organisation and towards our stakeholders. Through recognising the importance of a sound ethical base, we aim to uphold the highest ethical standards throughout the group and expect this from all levels in the organisation. Being a good corporate citizen is of paramount importance to us and it is prioritised at all times. This is led by the social, ethics and transformation committee who provide direction and guidance around the organisations approach to ethics and maintaining a sound ethical culture, the details of which are outlined in the Social, ethics and transformation report in our Integrated Report.

Fraud and corruption

We have a “no tolerance” attitude towards fraudulent or illegal activity within the group. Our risk and capital committee oversees our risk management process and regularly reviews the updates to the risk register thereby enabling us to monitor, manage and eliminate areas of risk within the group and combat this through our internal processes and procedures. Despite there being no instances of anti-bribery and corruption nor anti-money laundering within

the group, we recognise the need to have formal policies and procedures around potential non-compliance or breaches in these areas. Consequently, we are in the process of formalising group policies to address this. These will be formulated in line with our business strategy and operations and will be regularly reviewed and updated to include any further developments in those areas.

Human rights

At Equites we support and promote the United Nations Universal Declaration of Human Rights where we recognise the need to embrace the dignity and fundamental rights of humankind which we believe will bring about freedom, justice and peace. By proactively being aware of this, we treat all stakeholders fairly, with respect and we consciously do not act in ways that could infringe on anyone such that they feel that they have been unjustly wronged. We take acts of violation of human rights very seriously and if these were to arise, they would be handled as a matter of priority. Our employees, tenants and suppliers are encouraged to report any acts of known or suspected violations to human rights through

the anonymous channels available to them via our organisation. We ensure that our stakeholders are aware of, and comply with, the relevant laws and regulations around the protection of human rights and conduct themselves in accordance with these regulations, prior to engaging with them. Through our whistle-blower programs, all stakeholders are encouraged to report any unethical or suspicious activity, on any level and in any area of the organisation.

Plans for the future

We are in the process of introducing an employee handbook that staff will receive training on to ensure that each employee is aware of, and is compliant with, the ethical code of the organisation. This will be updated continuously as our organisation evolves and new employees will be trained on this at the start of their employment with us. Furthermore, we will monitor our stakeholders to confirm that there are no issues of non-compliance, violations or unethical practices conducted by them and for all new engagements we will assess the conduct of those stakeholders prior to pursuing a professional relationship with them.





Management approach

Our strategy is to create a lasting impact on society with the long-term view of sustainably developing the skills set of people in our country which we believe will have a positive contribution to our economy through self-development and empowerment. As such, our drive for the year has been identifying areas where we can positively impact the local communities in which we develop our sites and providing education opportunities for individuals in our country.

Community involvement

We understand that throughout our operations we have an opportunity to positively influence surrounding communities and we are committed to enriching the lives of people within these areas through self-empowerment. This commitment is structured and enforced through our development professional team who aim to employ the services of experienced community-based companies within the built environment sector. Where experience is lacking in that area an apprenticeship initiative provides a platform for much needed skills enhancement within the built environment profession. We have regular engagements with local community businesses and individuals to establish ways that they can source opportunities from Equites.

A key component of our commitment to empowering surrounding communities in the current year stems from our successful partnership with Zibula. Equites engages Zibula to assess the social impact and to integrate a feasible community engagement strategy

around our development nodes. This engagement allows for an understanding of the socio-economic dynamics of these communities and by performing a strategic mapping of the available local businesses in the built environment sector, we can identify or grow skills in the area. Resultantly, when the opportunity arises, members of the local community can readily and effectively participate in trades created by Equites.

In doing this we can invest in certain areas of the community through job creation and effectively engage with individuals to minimise disruption to their lifestyle and working conditions.

Educational initiatives

We firmly support the view that education plays a pivotal role in society and creates a lifelong foundation for individuals to advance from. Advocating initiatives around this is one of our key priority areas that is managed through our partnership with The Michel Lanfranchi Foundation (NPC) (the "Foundation"). Our ambition and focus are on enriching the lives of people in our country who are passionate about what we do, by providing education to those enrolled in property studies at the University of Cape Town. Furthermore, we engage in a learnership programme that focuses on empowering previous disadvantaged individuals by teaching them valuable practical skills that can be applied in the work environment thereby creating a steppingstone into the corporate sphere.

Plans for the future

We will continue to engage with local communities and drive initiatives towards community upliftment and development. In light of the recent developments of COVID-19, we are seeking ways to contribute to the health and wellbeing of South Africans. Through the donation by the executives of a third of their salaries to a charity of their choice for three-months, it is a start to enable those charities to reap the immediate benefit of those funds.

Furthermore, we are continuously looking for ways to improve the educational initiatives we are involved in and will continue implementing our education focus around the bursaries and learnerships for the upcoming year.



Sustainability report continued

 **Customer centricity**

Capitals mapped:

SDGs supported:

Management approach

With our tenants being the main pillar of our business, we recognise the importance of building long-standing relationships as our success relies on us establishing and maintaining trust with them. As such, customer centricity is at the forefront of our efforts and we are continuously seeking opportunities to assist our tenants by walking their business journey with them through effectively enhancing their supply chain. We recognise that not only is growing our portfolio and tenant base important, but post-occupation

service is vital in responding to our tenant needs. By following a proactive approach in our communication, we are able to innovatively tailor our offering and continuously monitor their needs, thereby creating predictability and stability in their operations.

To do this we focus on the following areas:

-  **Determining tenant needs**
-  **Devising innovative ways to meet their needs**
-  **Delivering on our promise**
-  **Continuous monitoring and identifying new improvements**
-  **Ensuring health, safety and tenant confidentiality is maintained**

Through our development and property management teams, we validate that our property meets the requirements of the tenant, are in accordance with the development specifications and adhere to health and safety regulations within that jurisdiction. The focus of our offering is on high-quality A-grade tenanted logistic facilities and we believe that by looking after our tenants' needs and our properties, we have created a niche brand that people can rely on. Furthermore, throughout the process, we understand the importance of tenant confidentiality and we safeguard their privacy and data in all transactions we perform. Our strategic partnerships and focused approach have meant that we are able to grow our tenant base in the 2020 financial year, despite the tough economic environment that faced us.

Plans for the future

The focus of our efforts will be on timeously addressing issues raised by our tenants, attracting and retaining new high quality tenants, ensuring compliance with strict health and safety standards, maintaining confidentiality and data protection, enhancing the mechanisms through which tenants can voice their concerns such as surveys and promoting open communication between Equites and our tenants.





Management approach

We recognise that by having our main operations in SA, it is important to be aware of, and aim to address the ramifications of the historical inequalities that continue to exist in our country. This, coupled with the high unemployment rates and income inequality gap in our country, has created an opportunity for us to meaningfully impact future generations.

As such, our focus areas have been as follows:

- 1 Promoting employment equity and skills development
- 2 Enhancing black ownership in our group
- 3 Improving our procurement practices
- 4 Encouraging enterprise and supplier development ("ESD")

Employment equity and skills development

Equites is committed to skills development and advancement, both internally for our employees and externally extending to affected communities, suppliers and students, the approach of which has been discussed in the "Serving our community" and "Our employees" sections of this report.

Enhancing black ownership

In our efforts to support BBBEE in SA and promote equitable wealth distribution to groups who were previously disadvantaged and create opportunities for wealth accumulation for future generations and leaders, we have managed to increase black ownership in the group from 53% in 2019 to 54% in 2020. We are mindful, however, that as a publicly listed company, we are subject to fluctuations as shareholdings change and we therefore constantly engage with empowerment partners to further transform our share register in a meaningful way.

Improving our procurement practices

We acknowledge that sustainability is not ringfenced to our operations and to be truly sustainable, we need to be aware of the sustainable consciousnesses of our suppliers and service providers. With Equites' current operations being in SA and the UK, the bulk of our supply chain is in these countries. Our providers consist of builders, professional service providers, contractors and other entities that are used that cover our range of needs from accounting and legal services to repairs, construction and maintenance offerings. Through our vendor application and selection

processes, we confirm that our stakeholders act responsibly and uphold good working practices, have sound corporate governance practices as well as abide by the applicable laws, regulations and any other guidance from memberships held with relevant professional bodies. We also assess their competence, industry reputation, quality, certifications held and commitment to BBBEE practices prior to engaging in services with our providers. This enables us to maintain a high-quality product offering whilst promoting good industry practices and standards. Through a revaluation of our procurement processes, we aim to increase focus on this area in the upcoming periods to promote sustainable responsibility throughout our supply chain by encouraging ethical and fair practices in areas such as health and safety, human rights, labour, environment and anti-corruption.

Enterprise and supplier development

We continue to support our development partner, Damon at Sons Construction (Pty) Limited ("DAS"). During the year they managed to perform construction activities to the value of circa R30 million for Equites and were able to create over 20 new jobs. Furthermore, we assisted with the creation of a new enterprise development partner which focuses on maintenance work at the various Equites sites. It is our intention to promote further development of ESD, particularly through property management services with a focus on cleaning, gardening and security services. The programme will include identifying SMMEs which are able to provide these services, assisting in any training or development necessary, assisting with administrative support (including obtaining relevant health and safety documents, registration with professional bodies and accounting and statutory assistance) and finally promoting these partners to becoming a registered vendor with Equites. After a long planning period, this programme is being initiated in May 2020.

Plans for the future

We will continue to embark on initiatives to improve our impact from a transformation perspective with focus in the upcoming year on the four areas identified above where we endeavour to promote and enhance our contribution to improving past injustices through identifying areas where we can meaningfully make a difference.



Sustainability report continued



Management approach

We recognise that without the valuable team behind us, Equites would not be able to display the growth we have shown over the past six years. Our ability to succeed is complemented by our employees and it is imperative that we look after and grow our people. The strength of our workforce rests on our consistent ability to bring together our unique talents and capabilities in a collaborative environment to formulate innovative and effective solutions.

Talent acquisition and employee profile

Our focused well-rounded team of dedicated individuals are highly motivated to perform at their best. We have a wide representation of skills, gender, experience and diversity in our organisation and through our transformation initiatives, consideration around employee profiles is given when seeking talent to join our team. By promoting an organisational culture where differing views, backgrounds and experiences are embraced and used to engage professionally and constructively, we are able to maximise on the talents of each employee. Despite also having operations in the UK, our employees are based in SA.

Employee wellness and safety

We are not only committed to fostering the best from our people at work but also support a healthy balance by creating an environment whereby our employees feel appreciated and are able to see their contribution to our value creation model. Through our leave policy, wellness assessments and flexible work hours,


we aim to ensure that our employees can manage their personal commitments with work and maintain a balanced lifestyle throughout the year. By introducing a medical aid benefit for our employees to subsidise their medical contributions, professional medical help has become less of a financial burden to our staff. Furthermore, through our extensive health and safety processes and procedures, an assessment is performed to determine the safety feasibility of projects from an occupational health perspective, prior to any project being undertaken. Projects will not be pursued if it presents health and safety risks to our staff.

Training, development and employee retention

Management are committed to developing and promoting employees by investing in their professional growth. Through on-the-job training and mentoring, scope to transfer job-specific skills is created which also enhances employee development and promotes continuity of our operations. Furthermore, we encourage and advocate employee advancement by identifying areas of improvement and enrolling our employees in external training and development courses where beneficial.

Through our annual performance reviews, we align our employees' functions to our group strategic objectives and we are able to effectively monitor and address any developmental areas through this process. This process also allows for employees to perform a critical self-evaluation, where a self-assessment against key performance areas is performed which has proven to be an effective mechanism for identifying areas of growth and self-development.

Recognition and reward

The group follows a compensation mix of fixed pay, benefits, performance-linked variable pay and a conditional share scheme. Individual pay is determined by both group and individual performance. There is no prejudice in the remuneration of our employees against gender, race, ethnicity, religion, sexual orientation or social identity. For further information on remuneration of directors, refer to the Remuneration report in our Integrated Report. 

Plans for the future

We will continue to prioritise the health and safety of our employees to ensure that their wellbeing is at the forefront of our operations. Through our continued investment in employee development and learning, we endeavour to maintain a high performing work culture, that encourages self-advancement and in turn enhances the group's performance. Both through our talent acquisition and talent management function, we will continue to align our future and existing hires to the strategic objectives of the group and ensure remuneration is commensurate to the role and responsibilities of the individual.



The consequential benefit of driving sustainable value throughout the organisation is that it enables us to report on financial information that not only benefits shareholders but stakeholders throughout our value chain. We aim to constantly communicate to our investors our strategy, targets and plans for upcoming periods, to ensure that they are informed and aligned with our operations. Whilst we cannot control the market factors impacting us, this does aid our share price in reflecting value investors can expect from Equites. Through our effective balance sheet management and debt-equity focus, we have maintained consistent, stable returns for our shareholders. Despite the adverse conditions that prevailed in FY20, especially during the second half of our financial year, we were still able to generate a healthy distribution. More information around the distribution to shareholders, the key ratios of the group and pertinent financial metrics are presented in the Financial capital report.

**Environmental consciousness**

Capitals mapped:


SDGs supported:


Management approach

The environment, its resources and the management thereof are considered to be essential to the way we conduct our activities. We recognise that the continuity of our business and the utilisation of shared resources weighs heavily, not only from a short-term perspective but also taking a longer-term view, on preserving our natural capital. Our professional team and contractors adopt environmentally conscious methods from inception of the project and maintain these on site during the development. This philosophy is carried through to the management of the building by a structured handover and commissioning process.

Plans for the future

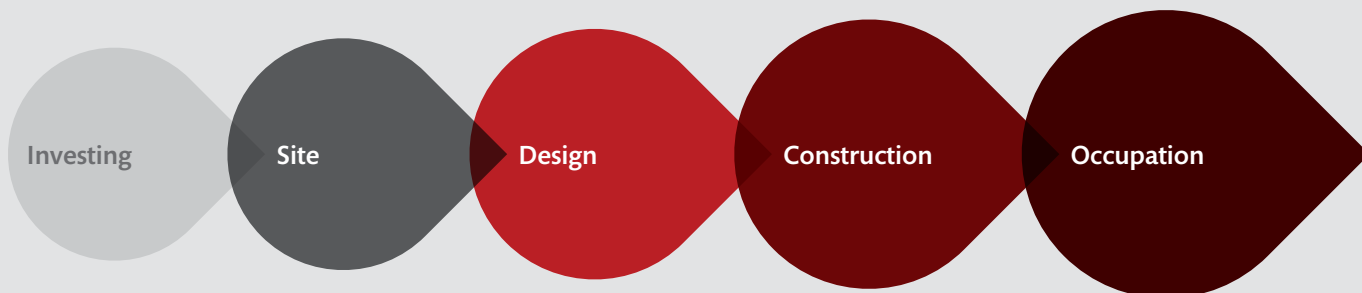
Through dedicating our efforts to the various facets of property development and management activities, we aim to efficiently deploy our capital in an environmentally responsible manner to bring about positive results both in the short and long-term across stakeholder groups.



Equites Park – Lords View, our 4-star “as built” green rated building

Sustainability report continued

The environmental considerations in the various areas of our operations are outlined as follows:



Prior to commencing a development, we assess the long-term income generating ability of the building and how to best manage its potential obsolescence. We perform a thorough cost analysis to assess its viability by considering the use of sustainable alternatives and the impact it has on the value created for the group, investors, the occupants of the building, surrounding communities and the environment.

In assessing the site, we consider the interrelationship between the development and surrounding buildings as well as its accessibility to people, industries and the local community. Furthermore, we establish whether the development will lead to loss of green fields land and the bearing it will have on other amenities that may be affected by it. It is our priority to maximise the positive impact to communities and the environment at large and to minimise any possible harmful effects from the development activities.

Having recently completed our first development built to 4-star "as built" green rating standards, our aim will be to incorporate green building design in our all schemes, to maximise the use of any natural resources and to fully assess the impact on ecological resources. We constantly work to innovate our design and challenge our professional team to optimise their efficiencies and the ultimate sustainability goals set by our stringent design criteria and baseline specifications. This is done to ensure that there is continuous improvement to our efficiencies in design, as well as water, land and energy use.

We take cognisance of natural water resources which may be impacted by construction activity and the implications it may have on neighbouring properties and people. Materials are considered closely and wherever possible, materials are either reused and repurposed or sourced from sustainable locations within close proximity to the development, without compromising on quality and efficiency. Through our waste management process, we assess the wastage resulting from our construction sites and incorporate specialised disposal techniques, as necessary.

The occupant is at the heart of the buildings we develop and we ensure that proper care is taken on the indoor environmental quality of the building, using leading edge technology to maximise comfort, whilst optimising natural ventilation and lighting wherever possible. We incorporate tenant aspirations in the design, construction and implementation of effective environmental and building management systems. Through communication with our tenants, we are able to monitor the ongoing impact of our buildings and find ways to improve our sites. Innovations in sustainable building use include rain harvesting systems to utilise rain water where possible and incorporation of energy efficient fittings to reduce our overall carbon footprint, which also results in lower maintenance and operating costs for the tenant over the duration of the lease. Our greenhouse gas emissions associated with energy generation is further reduced by the inclusion of sustainable and renewable energy sources on all our developments, such as solar PV's.

Loading Bay 19





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