

# Delta Property Fund Limited (“the Fund”)

## King III compliance review – final 2016

The board of directors endorses the Code of Corporate Practices and Conduct as contained and recommended in the King Report on Corporate Governance (King III) and the JSE Listings Requirements.

The board needs to strive to ensure that the interests of all the Fund’s stakeholders are properly protected and that adherence to the principles of good corporate governance espoused by King III remains a commitment of the group. It is the intention of all directors that the principles of integrity and the highest ethical standards are upheld by all who serve the Fund and its stakeholders.

Management are satisfied that the proper governance structures exist and are operational within the Fund, and it is their intention to implement, on a prioritised basis, the procedural recommendations that have emanated from the King III Report as well as legislative changes. They have completed the King III Compliance Checklist included as Annexure A to this report.

**For the 2016 financial year, with the exception of those items outlined below, Management hereby confirms that the Fund has complied with King III.**

Note 1 A full board evaluation will be completed after the Board meeting in July as will the various Committee evaluations take place at their July/August meetings.

Note 2 Compliance with laws, codes, rules and standards – management have identified the “universe” that has to be complied and are aware of the relevance and implications of non-compliance. Processes/policies are in the process of being reviewed to ensure compliance is maintained. Delta is compliant with the JSE Listings Requirements, Companies Act and relevant SARS legislation.

In addition to the King III checklist set out below the Committee is required to note the JSE Guidance Note on Corporate Governance (issued 31 January 2013) together with the Institute of Directors SA Practice Note on King III reporting in terms of the JSE Listings Requirements. Management are satisfied that the Company is compliant with all of the principles.

### **Action required by the Audit, Risk & Compliance Committee:**

To note Management’s Report and recommendation and to consider whether they would make the same recommendation to the Board in terms of the findings of the King III Compliance Review and the compliance with the JSE Guidance Note on Corporate Governance.

## ANNEXURE A

### King III checklist

**Key:**     ✓ Compliant                    # Partially compliant                    △ Under review                    X Non-compliant

	Note	
<b>Ethical leadership and corporate citizenship</b>		
Effective leadership based on an ethical foundation		✓
Fund is seen as a responsible corporate citizen		✓
Effective management of company's ethics		✓
Assurance statement on ethics in integrated report.		✓
<b>Board and directors</b>		
The board is the focal point for and the custodian of corporate governance		✓
Board appreciated that strategy, risk, performance and sustainability are inseparable		✓
Directors act in the best interest of the company		✓
The chairman of the board is an independent non-executive director.		✓
CEO has been appointed		✓
Framework for the delegation of authority has been established		✓
The board comprises a balance of power, with a majority of non-executive independent directors.		✓
Directors are appointed through a formal process		✓
Formal induction and ongoing training of directors is conducted		✓
The board is assisted by a competent, suitable qualified and experienced company secretary		✓
Regular performance evaluation of the board, its committees and the individual directors.	<b>1</b>	✓
A governance framework has been agreed between the Group and the subsidiary boards		N/A
Appointment of well-structured committees and an oversight of key functions.		✓
Directors and executives are remunerated fairly and responsibly.		✓
Remuneration of directors and certain senior executives is disclosed		✓
The company's remuneration policy is approved by its shareholders		✓
<b>Audit Committee [Audit Risk &amp; Compliance ("AR&amp;C") Committee]</b>		
Effective and independent	<b>1</b>	✓
Members are to be suitably skilled and experienced independent, non-executive directors		✓
Chaired by an independent non-executive director		✓
Oversees integrated reporting		✓
Ensure a combined assurance model is applied to optimise assurance activities.		✓
Satisfies itself of the expertise, resources and experience of the company's finance function		✓
Oversees internal audit.		✓
Recommends the appointment of the external auditors		✓
Integral to the risk management process		✓
Oversees the external audit process		✓
Reports to the board and shareholders on how it has discharged its duties		✓
<b>The governance of risk</b>		
The board is responsible for the governance of risk and setting levels of risk tolerance		✓
The AR&C Committee assists the board in carrying out its risk responsibilities.		✓

The board delegates the risk management plan to management (including design, implementation & monitoring)		√
The board ensures that risk assessments and monitoring is performed on a continual basis		√
Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks		√
Ensure Management considers & implements appropriate risk responses		√
Ensure continual risk monitoring by Management		√
The board receives assurance on the effectiveness of the risk management process		√
Ensure sufficient, timeously risk disclosure to stakeholders		√
<b>The governance of information technology (“IT”)</b>		
The board is responsible for IT governance		√
IT is aligned with the performance and sustainability objectives of the company		√
Management is responsible for the implementation of an IT governance framework.		√
The board monitors and evaluates significant IT investments and expenditure		√
IT is an integral part of the company’s risk management		√
IT assets are managed effectively		√
The Audit, Risk and Compliance Committee assist the board in carrying out its IT responsibilities		√
<b>Compliance with laws, codes, rules and standards</b>		
The board ensures that the company complies with applicable laws		√
The board and directors have a working understanding of the relevance and implications of non- compliance	<b>2</b>	√
Compliance risk forms an integral part of the company’s risk management process		√
The board has delegated to management the implementation of an effective compliance framework and processes		√
<b>Internal audit</b>		
Ensure effective risk based internal audit		√
The internal audit function is independent of management		√
Internal Audit provide a written assessment of the effectiveness of the company’s system of internal control and risk		√
AR&C Committee oversees Internal Audit		√
Internal audit is strategically positioned to achieve its objectives		√
<b>Remuneration and nominations committee</b>		
The chairman of the committee is an independent non-executive director.		√
<b>Governing stakeholder relationships</b>		
Appreciate that stakeholders’ perceptions affect a company’s reputation		√
Delegate Management to proactively deal with stakeholder relationships		√
Strive for an appropriate balance between the various stakeholder groupings		√
Ensure equitable treatment of shareholders		√
Transparent and effective communication with stakeholders is essential		√
Ensure disputes are resolved effectively and timeously		√
<b>Integrated reporting and disclosure</b>		
The board ensures the integrity of the company’s integrated report		√
Sustainability reporting and disclosure is integrated with the company’s financial reporting		√
Sustainability reporting and disclosure is independently assured.		√