

KEY RISK	BUSINESS IMPACT	STRATEGIC GOAL AFFECTED	MITIGATION MEASURES IMPLEMENTED
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Strategic risks			
<ul style="list-style-type: none"> Regulatory risk, including JSE and Government legislative framework 	<ul style="list-style-type: none"> Fines and public censures if non-compliance occurs Negative impact on company reputation 	<ul style="list-style-type: none"> Growth in distribution and share price Governance and compliance 	<ul style="list-style-type: none"> Continuous active monitoring by corporate sponsor and Company Secretary, including completion of annual compliance checklist Appointment of consultants in specialised areas
<ul style="list-style-type: none"> Lack of B-BBEE rating and monitoring mechanisms 	<ul style="list-style-type: none"> Inability to secure long-term leases with government tenants Loss of investor confidence 	<ul style="list-style-type: none"> Sovereign tenant relationships and retention Governance and compliance 	<ul style="list-style-type: none"> Active monitoring of rating and regular assessment of suppliers to improve rating Adherence to the Property Sector Charter Procurement manager appointed to manage Delta's B-BBEE spend
<ul style="list-style-type: none"> Reputational risk 	<ul style="list-style-type: none"> Loss of investor confidence resulting in share price volatility 	<ul style="list-style-type: none"> Growth in distribution and share price 	<ul style="list-style-type: none"> Oversight by the Board AGM to address issues and queries Regular communication with stakeholders Transparent culture Continuous active monitoring by corporate sponsor
<ul style="list-style-type: none"> Non-compliance with REIT requirements 	<ul style="list-style-type: none"> Potential tax liabilities resulting in a decreased distribution Loss of REIT status Loss of investor confidence 	<ul style="list-style-type: none"> Growth in distribution and share price Governance and compliance 	<ul style="list-style-type: none"> REIT compliance monitored on a continues basis by management and external consultants

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<ul style="list-style-type: none"> Foreign investments 	<ul style="list-style-type: none"> The share price of the investment may not move with a fluctuation in the underlying currency due to listing on JSE of the investment Volatility in exchange rates could result in decreased distributions received from foreign investments 	<ul style="list-style-type: none"> Growth in distribution and share price 	<ul style="list-style-type: none"> Matching the currency of the funding relating to the investment with the currency of the investment. For example, where the investment is a USD based investment a portion of this is funded with a USD loan
<ul style="list-style-type: none"> Currency risk - foreign loans and derivative instruments 	<ul style="list-style-type: none"> Excessive volatility in exchange rates resulting in higher interest charges in ZAR which may impact distributions payable Excessive volatility in exchange rates resulting in an increase in ZAR capital balance owing at maturity of foreign currency loans and derivative instruments which may impact distributions payable 	<ul style="list-style-type: none"> Growth in distribution and share price Management of finance costs 	<ul style="list-style-type: none"> Foreign loans are entered into to finance foreign investment. The exposure of the loan to volatile exchange rates is offset by the potential gains from dividends receivable from the investment
<ul style="list-style-type: none"> Downgrading of South Africa's sovereign rating 	<ul style="list-style-type: none"> Potential downgrading of country and Delta's own rating Reduced availability of funding which could limit liquidity and increase funding costs 	<ul style="list-style-type: none"> Growth in distribution and share price Management of finance costs Going concern 	<ul style="list-style-type: none"> Diversification of funding Hedging of debt funding
<ul style="list-style-type: none"> Lack of a properly structured succession plan 	<p>Departure of key executives can lead to:</p> <ul style="list-style-type: none"> Increased general business risk Lack of strategy execution 	<ul style="list-style-type: none"> Growth in distribution and share price Stakeholder relationships and retention 	<ul style="list-style-type: none"> Executives are subject to a three-month notice period should they wish to terminate their employment with Delta. This ensures a sufficient hand-over process to successors taking up key positions at Delta.

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	<ul style="list-style-type: none"> • Damage to relationships with key stakeholders 		<ul style="list-style-type: none"> • Appointments of executives are made from within Delta'a own talent pool where possible. For example, the appointment of Otis Tshabalala to COO who has been involved in the asset management team of Delta since listing.
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Financial risks			
<ul style="list-style-type: none"> • Investment at a capitalisation rate higher than the market value 	<ul style="list-style-type: none"> • Investments yield less than incremental funding costs leading to a dilution in distributable income and possible capital erosion • Inefficient utilisation of existing funding facilities 	<ul style="list-style-type: none"> • Growth in distribution and share price • Maintaining and growing a portfolio of quality assets • Management of finance cost 	<ul style="list-style-type: none"> • Stringent investment criteria • Acquisitions and disposals are considered by the Investment Committee in line with its strategy and authority which are then recommended to the Board • Detailed due diligence process followed • On-going refinement of investment/growth strategy
<ul style="list-style-type: none"> • Decrease in market capitalisation rates from initial acquisition date as a result of increased vacant space 	<ul style="list-style-type: none"> • Breaching of loan to value covenants • Decreased NAV 	<ul style="list-style-type: none"> • Maintaining and growing a portfolio of quality assets • Growth in distribution and share price 	<ul style="list-style-type: none"> • On-going refinement of investment/disposal strategy • Independent valuations of buildings are performed ensuring buildings are valued in line with market rates • Continuous asset management activity (including renewal of leases) thereby preventing the market value of properties from being less than the initial acquisition value
<ul style="list-style-type: none"> • Non-compliance 	<ul style="list-style-type: none"> • Increase of interest rates by financiers 	<ul style="list-style-type: none"> • Growth in distribution and share price 	<ul style="list-style-type: none"> • Covenants are monitored by management on a monthly basis

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with bank covenants	<ul style="list-style-type: none"> • Forced pay-down of loans required by financiers • Inability to raise further debt funding 	<ul style="list-style-type: none"> • Management of finance costs • Going concern 	<ul style="list-style-type: none"> • Compliance with covenants are considered when assessing funding requirements for new acquisitions • Compliance with covenants are reported on monthly to EXCO and quarterly to the board
<ul style="list-style-type: none"> • Destruction of and damage to investment property 	<ul style="list-style-type: none"> • Financial loss to the Company • Reduction in property value • Increase in LTV • Decrease in NAV • Breach of financial covenants 	<ul style="list-style-type: none"> • Growth in distribution and share price • Maintaining and growing a portfolio of quality assets • Going concern 	<ul style="list-style-type: none"> • Properties all insured based on regular assessment of replacement cost as well as a large portion of loss of income • Adequacy of insurance cover regularly reviewed • Outsourced security providers are utilised and buildings are equipped with security features
<ul style="list-style-type: none"> • Increase in interest rates 	<ul style="list-style-type: none"> • Volatile interest rate movements may result in increased borrowing costs, thereby reducing distributable income • Breaching of interest cover ratio covenants 	<ul style="list-style-type: none"> • Growth in distribution and share price • Management of finance costs 	<ul style="list-style-type: none"> • Favourable funding arrangements negotiated • Minimum of 70% of debt is targeted to be fixed through hedging instruments • Maturity of hedging instruments is staggered to avoid concentration risk
<ul style="list-style-type: none"> • Liquidity and refinancing risk 	<ul style="list-style-type: none"> • Insufficient cash resources to meet obligations on due dates • Inability to refinance debt on expiry • Inability to raise sufficient new funding for investment opportunities and refurbishments 	<ul style="list-style-type: none"> • Maintaining and growing a portfolio of quality assets • Growth in distribution and share price • Going concern 	<ul style="list-style-type: none"> • Cash flow monitored to ensure availability of funding • Multi-funder approach with diversified sources of funding including banks and the debt capital markets • Use of medium term and revolving loan facilities • Monitoring of economic environment • Avoiding concentration risk of maturity of debt facilities and hedging instruments • Maintaining a LTV ratio below 50% in line with loan covenants

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<ul style="list-style-type: none"> • Unsigned leases and loss of lease documentation 	<ul style="list-style-type: none"> • Loss of income • Reduction in property value 	<ul style="list-style-type: none"> • Growth in distribution and share price • Tenant relationships and retention 	<ul style="list-style-type: none"> • Unsigned leases are reviewed at monthly management meetings with property managers • Original leases kept in fireproof room
<ul style="list-style-type: none"> • Incorrect capturing of leases into financial system 	<ul style="list-style-type: none"> • Inaccurate & inefficient loading of leases could result in incorrect rentals and recoveries being charged 	<ul style="list-style-type: none"> • Growth in distribution and share price • Tenant relationships and retention 	<ul style="list-style-type: none"> • Internal audit tasked with review of leases loaded onto the system
<ul style="list-style-type: none"> • Lack of sound accounting and financial controls 	<ul style="list-style-type: none"> • Fraud and error • Business continuity • Inaccurate reporting of financial results 	<ul style="list-style-type: none"> • Growth in distribution and share price 	<ul style="list-style-type: none"> • Implementation of financial policies and procedures • Internal audits are performed based on a 3 year rolling plan • External audit performed on an annual basis
<ul style="list-style-type: none"> • Unauthorised payments 	<ul style="list-style-type: none"> • Loss of profits 	<ul style="list-style-type: none"> • Growth in distribution and share price 	<ul style="list-style-type: none"> • Approval framework adopted • Procurement policy put in place • Segregation of duties exist in the authorisation and processing of payments

Operational risks			
<ul style="list-style-type: none"> • Vacancies and high quantity of leases expiring in any one period 	<ul style="list-style-type: none"> • Erosion of rental income, increase in property holding costs (finance costs, electricity and municipal charges), increase in letting commissions and tenant installation costs • Discounting of new leases at below market rentals 	<ul style="list-style-type: none"> • Growth in distribution and share price • Tenant relationships and retention • Maintaining and growing a portfolio of quality assets 	<ul style="list-style-type: none"> • Internal team focused on securing long term lease renewals • Monthly lease expiries are reported by sector and geographical area • Strong focus on tenant relationships to ensure retention • Alignment of refurbishments with lease renewals

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			<ul style="list-style-type: none"> Existing vacancies on new acquisitions are not paid for Credit checks are performed on prospective tenants Conversion of C grade assets to A & B grade
<ul style="list-style-type: none"> High concentration of government leases and single tenanted properties 	<ul style="list-style-type: none"> Possible increased vacancies Inability to secure leases if existing government policies change 	<ul style="list-style-type: none"> Tenant relationships and retention Maintaining and growing a portfolio of quality assets 	<ul style="list-style-type: none"> Early renewal negotiations B-BBEE status continually monitored and maintained at a level 2 or better Engage government to promote transformation strategies DPW task team appointed to manage government leases
<ul style="list-style-type: none"> Underperformance of property managers and skill shortages 	<ul style="list-style-type: none"> Leases not renewed due to dissatisfied tenants increasing vacancies Rentals and recoveries not collected timeously increasing arrears Inadequate utilities management Reduction in building value due to poor maintenance Financial data not provided accurately or within the given deadlines Reduced net income growth 	<ul style="list-style-type: none"> Growth in distribution and share price Tenant relationships and retention Maintaining and growing a portfolio of quality assets 	<ul style="list-style-type: none"> Performance driven contracts with property managers Supervision by Delta's asset managers including monthly management meetings Regular property inspections conducted by Delta's asset managers and other professionals Asset managers' oversight of utility management Use of multiple property managers which include area and sector specialists

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<ul style="list-style-type: none"> • Cost inflation arising from utilities, local councils (rates) and soft services (security, cleaning etc.) 	<ul style="list-style-type: none"> • Reduction of property margins, and erosion of distributable income growth 	<ul style="list-style-type: none"> • Growth in distribution and share price 	<ul style="list-style-type: none"> • Negotiating medium-term contracts with suppliers • Costs monitored against budgets on a monthly basis • Monitoring of increases to municipal valuations and objecting to those increased valuations when necessary • Focus on cost efficiencies including electricity- and general cost-saving initiatives • Monitoring of expense recoveries from tenants and cost-to-income ratios
<ul style="list-style-type: none"> • Deterioration of municipal administration and service delivery 	<ul style="list-style-type: none"> • Incorrect utility billings • Delay in transfer of acquisitions and disposals 	<ul style="list-style-type: none"> • Growth in distribution and share price • Tenant relationships and retention • Maintaining and growing a portfolio of quality assets 	<ul style="list-style-type: none"> • Independent meter readings performed of council readings • Professional consultants utilised to ensure local authority approval processes are followed and properties transferred in an efficient manner
<ul style="list-style-type: none"> • Arrears and bad debts 	<ul style="list-style-type: none"> • Failure to recover amounts owing from tenants • Reduction of available cash • Large write-offs/bad debts reduce distributable income 	<ul style="list-style-type: none"> • Growth in distribution and share price 	<ul style="list-style-type: none"> • Upfront due diligence on prospective debtors prior to acquisition of properties • Vigilant credit control by Property Managers • Continued engagement with tenants • Stringent lease agreements and rigorous tenant credit checks • Deposits and personal sureties required and obtained • Concentration of sovereign tenants • DPW task team appointed to manage government collections

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<ul style="list-style-type: none"> Property safety compliance 	<ul style="list-style-type: none"> Renewal of leases dependent on compliance with safety standards Claims against Delta resulting in financial losses 	<ul style="list-style-type: none"> Growth in distribution and share price Tenant relationships and retention Maintaining and growing a portfolio of quality assets 	<ul style="list-style-type: none"> Monthly meetings held with property managers where areas of non-compliance and other risk items are discussed Adequate insurance taken out
<ul style="list-style-type: none"> Load shedding 	<ul style="list-style-type: none"> Additional expenditure on acquisition of generators for buildings Loss of tenants to competitor buildings resulting in decreased distributable earnings 	<ul style="list-style-type: none"> Tenant relationships and retention Maintaining and growing a portfolio of quality assets 	<ul style="list-style-type: none"> Generator requirements for the full portfolio have been assessed and a process has been initiated to enhance backup power across the portfolio. Basic backup generators in place to ensure key functionality of items in buildings such as lifts
<ul style="list-style-type: none"> Information technology (IT) failure 	<ul style="list-style-type: none"> Reduced efficiency of company operations leading to increased cost being incurred Impact on the Company's reputation in the event that data is not recovered promptly 	<ul style="list-style-type: none"> Growth in distribution and share price 	<ul style="list-style-type: none"> Daily back-ups of information at an offsite storage facility Support of appropriately skilled IT personnel Virtualised server environment Disaster recovery plan
<ul style="list-style-type: none"> Retention of key staff 	<ul style="list-style-type: none"> Decline in investor confidence Loss of key management reduces the Company's ability to grow and implement its strategic objectives Damaged morale of remaining employees 	<ul style="list-style-type: none"> Growth in distribution and share price Tenant relationships and retention 	<ul style="list-style-type: none"> Retention strategy which encompasses performance incentives (short term and long term), remuneration benchmarking, performance evaluation and personal development plans