

GROWTHPOINT
PROPERTIES



Transformation Strategy

Growthpoint Properties



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1. Preamble

As a responsible corporate citizen, Growthpoint has actively demonstrated its commitment to Transformation and Sustainability and as such Growthpoint has been recognised by various market observers over the years for the work it has done in both these areas. Amidst all the challenges in both the economic and political environment that the country faces, the company has maintained a holistic approach to its participation in transformation activities through strategies that address all the elements of the B-BBEE scorecard. As a Real Estate Investment Trust, the company subscribes to the Property Sector Charter. Currently Growthpoint is rated a level three B-BBEE contributor which is testament to the progress the company has made since 2007 when management and staff were internalised.

2. Why a Transformation Strategy?

Transformation implies the transformation of **“the fundamental principles of an organisation”**. Empowerment implies the transformation of an organisation to achieve the objectives of empowerment, by implication broader than merely achieving ‘compliance’ through Broad-Based Black Economic Empowerment.

Broad-Based Black Economic Empowerment (“B-BBEE”) aims at substantially increasing black participation at all levels in the economy. The strategy tries to redress the imbalances of the past by transferring more ownership, management and control of South Africa’s financial and economic resources to the majority of its citizens. It also aims to ensure broader and meaningful participation in the economy by black people.

Growthpoint Properties, believes that B-BBEE is a component of the broader transformation imperative in South Africa (SA). Growthpoint has intentionally set out to build a best in class empowered organisation. This Transformation Strategy forms the guiding framework through which all stakeholders can be guided by the philosophy, principles and practices of Growthpoint’s empowerment framework.



3. Our Approach to Transformation

Growthpoint takes a holistic view on transformation and focuses its efforts on both the external and internal environment. Our external transformation efforts encompass our investments in BEE ownership transactions, engagement with our suppliers and ensuring that we continuously focus on diversifying our supply chain through the support of small business and through the communities we impact. Our internal transformation efforts are focused on our people and creating a more inclusive and diverse workforce who are trained and developed to meet our strategic business objectives.

Throughout our transformation journey (see attached brochure) Growthpoint has always been an industry leader in driving the external elements of transformation. Due to the nature of our business and the fact that since 2007 the company has been quite acquisitive its effort on the internal elements of transformation has been diluted. We are currently in a process of reshaping our transformation strategy for the next 3 years and ensuring that we focus on the various elements where we have gaps.

The company is committed to principles of transformation and would undertake processes that are sustainable and have true grass roots impact, rather than engage in behaviour that seeks to “buy points” on the B-BBEE scorecard. We have historically monitored our transformation journey (amongst other tools) by means of the balanced scorecard described in the Generic Codes of Good practice (2007) and Property Sector Charter. This is audited annually based on our July to June financial year cycle.

4. Our noteworthy transformation achievements

For the past year we achieved a level 3 rating on the B-BBEE scorecard, an improvement from a level 4 in the previous rating.

19.47 Of 20 points for ownership	31.31% Black ownership
19.30 Of 20 points for preferential procurement	91% Of total measured spend with B-BBEE compliant suppliers
56% Of our staff African, Coloured and Indian	50% Of our staff is female



R23.6 million Invested in education and entrepreneurship initiatives	100% Bursaries awarded to black learners for tertiary studies
Maximum Points achieved for socio economic development	Maximum Points achieved for enterprise development

5. What are we doing well, what is not working, what do we need to continue doing?

The table below indicates the performance of the company in line with the Property Sector Charter. The self-rating of impact refers to the contribution towards transformation in the property sector and the country at large.

Element	Impact	Notes
Ownership	High	Our B-BBEE ownership credentials have always been positive. In 2005 Growthpoint concluded a R1 billion transaction with a B-BBEE consortium, it was the largest ownership empowerment deal in the sector at the time.
Management Control	Low	Management Control comprises of the composition of the board of directors and Exco. Transformation at this level is part of our long term strategy.
Employment Equity	Low	Our employment equity numbers have been diluted due to our acquisitions. As part of the strategy we are promoting diversity through our succession planning and recruitment strategies.
Skills Development	High	The development of all our staff remains a key imperative for the business. Our aim is to focus on skills development within categories B,C,& D (learnerships/ internships).



Preferential Procurement	High	We continue to focus on procurement from B-BBEE rated suppliers with a particular focus on procurement from black women owned (>30%) suppliers.
Enterprise Development	High	Our Property Point initiative continues to deliver impact and the promotion of black businesses into our supply chain.
Socio-economic development	High	Our CSI initiatives continue to focus on making a positive impact within the broader community.

6. Quick Facts

- a) The Transformation strategy is driven at an operational level and is accountable to a board sub-committee, the Social, Ethics and Transformation Committee.
- b) Growthpoint has continuously improved in its empowerment status from a Level 6 in year 2014 to Level 3 in 2017.
- c) The revised Property Sector Charter codes was gazetted in June 2017 and the various changes in the codes and scoring made compliance more stringent
- d) Growthpoint board has mandated that the B-BBEE level not drop below a Level 4
- e) The B-BBEE ratings enhance our competitive advantage as customers can claim over 110% of their procurement spend
- f) We continuously seek to promote skills development and to empower youth by providing learnerships and bursaries to previously disadvantaged groups.
- g) We actively participate in the Small, Micro, Medium Enterprise economy by fostering business growth through our enterprise and supplier development programme, Property Point.
- h) Our socio-economic development approach focuses on inclusive participation on community development for building independence and a sustainable future
- i) Our business is conducted with the imperative to support black-owned businesses and those that meet at least a level 4 of compliance according to the B-BBEE scorecard.

6. Some Strategic insights

Key principles and priority elements of Property Sector Charter follows the Revised codes targets on

Insight	Comment
<p>Growthpoint's stance on employment equity</p>	<p>Growthpoint is committed to:</p> <ul style="list-style-type: none"> • Creating a diverse and transformed workplace • Providing equal opportunities to all its employees, whilst giving special consideration to employees from designated groups • Removing all barriers to affirmative action and transformation • Ensuring that skills development spend focuses on empowering employees from designated groups • Implementing an Employment Equity plan every three years, to ensure the achievement of its internal transformation objectives
<p>Changes Increase in B-BBEE 2017 legislative targets</p>	<ul style="list-style-type: none"> • The changes in targets in Skills development, Enterprise & Supplier Development Management control could impact on the score for the business • Failure to comply with priority elements would result in the dropping in level and therefore affect our competitiveness in the market place • Termination of rolling averages: Qualifying contributions that an entity has made will no longer be recognisable cumulatively but will only be recognisable on an annual basis • The focus on 51% small black owned businesses has become a priority and requires re-alignment of strategies



**Value chain
transformation of
suppliers**

- **Optimise** existing supplier base through enterprise and supplier development
- **Focus on improving** the supplier base with specific reference to:
 - Increasing the number and value of empowered suppliers inclusive of QSEs
 - Increasing the number and value of Black owned & Black Women owned supplies

7. Transformation Accountability and Reporting

Establish a Group Transformation Forum that will be accountable for monitoring the implementation of the action plan from the various aspects of the scorecard.

- The Transformation forum will be chaired by the Head of CSR and the committee will be constituted by the CEO, COO and Head of HR
- Senior Managers/Divisional Executives that are responsible for the various aspects of the scorecard would be invitees to the Transformation forum
- Meetings are to be held quarterly and formal minutes will be taken to ensure follow up on actions and deliverables.
- The Head of HR as a representative of the Diversity and Inclusion forum will report into the Transformation Forum. The Head of CSR as the chair of the Transformation Forum will report into the Social Ethics and Transformation committee.

8. Growthpoint Strategic plan

Ownership Element

Transformative statement: As Growthpoint moves towards broader transformation within the industry, it is imperative to create growth of sustainable enterprises by increasing property ownership amongst black people. Our aim is to enable black equity ownership through; exploring a new BEE deal which will incorporate broad based elements such as our staff share incentive scheme and CSI initiatives. Explore options for a BEE asset disposal strategy.

OBJECTIVES	INDICATOR	TARGET	STRATEGY	TIMELINE	RESPONSIBILITY
B-BBEE Ownership deal structuring - combination of narrow and broad based.	<ul style="list-style-type: none"> - Broad based structure with economic interest to designated groups - New entrants benefit - Net equity points realised 	<ul style="list-style-type: none"> - B-BBEE deal with 10% of GPT shares. - 7% narrow based structure - 3% broad based structure 	<ul style="list-style-type: none"> - Explore opportunities with identified key strategic BEE partners - Explore opportunities to set up SPV for broad based structure which can include a staff scheme and current CSI initiatives 	June 2018	CEO Transformation Forum
Structure Net Equity Value	Percentage of net equity realized	Realise a minimum of 40% of the annual targets. Yr 1 - 3% Yr 2 - 7% Yr 3 - 10% Yr 4 - 15% Yr 5 - 19%	<ul style="list-style-type: none"> - Structure BEE deal to align with the net equity targets - Effectively monitor the net value realised on narrow based structures 	Ongoing	CEO Deal Makers Transformation Forum



Disposal of assets to black owned entities	Disposal to >50% black owned entities as a % of total asset disposals	- 35% disposal to >50% black owned entities over a 5yr period - a minimum of 20% of the 35% must be achieved in each year	-Identification and support of >50% black owned entities An asset disposal vehicle through which the business can channel disposals to black businesses	June 2018	Sector Directors Trade and Development Monitored by Deal Forum
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Management Control

Transformative statement: Growthpoint aims to promote executive and non-executive control of the business through the consideration of black and female empowerment. The company will consider equal opportunity procedures in the appointment of black female executives at board level.

OBJECTIVES	INDICATOR	TARGET	STRATEGY	TIMELINE	RESPONSIBILITY
Diversify the GPT board	Voting rights of black board members as a % of all board members	- 40% black board members - with at least 25% being black female	- Deliberate attempt to ensure that the next two board appointees are black female - Put in place board mentorship and shadowing programme for succession planning and development for future board appointees	June 2019 Immediate	GPT Chairman
Diversify executive directors	Black executive directors as a % of	- 25% black executive directors	As part of succession planning	June 2020	GPT Chairman CEO



	all executive directors	(ideally black female)	identify a black candidate (ideally female) that will be appointed as an executive director		
Diversify executive management (EXCO)	Black executive management as a % of all executive management	- 27% black executive management, with at least 50% being black female	As part of succession planning identify black candidates that will be appointed as an executive director - Implement an executive shadowing and mentorship programme	June 2020	CEO

Employment Equity

Transformative statement: Growthpoint is committed to creating a diverse and transformed environment, which provides equal opportunities to all its employees, whilst giving special consideration to employees from designated groups.

OBJECTIVES	INDICATOR	TARGET	STRATEGY	TIMELINE	RESPONSIBILITY
Diversify senior management	Black senior management as a % of all senior management	- increase black senior management from 15% to 28%	- Align to our succession plan and skills development strategy	June 2020	EXCO Diversity and Inclusion forum Cascaded down to all management levels
Diversify middle management	Black middle management as a %	- increase black middle	- Align to our succession plan and	June 2020	EXCO



	of all middle management	management from 32% to 45%	skills development strategy		Diversity and Inclusion forum Cascaded down to all management levels
Diversify junior management	Black junior management as a % of all junior management	- increase black junior management from 69% to 77%	- Align to our succession plan and skills development strategy	June 2020	EXCO Diversity and Inclusion forum Cascaded down to all management levels

Skills Development

Transformative statement: Growthpoint holds a view that in order to remain competitive, a skilled workforce is a pre-cursor to our intended vision. We continuously enable our employees and support them to develop career-enhancing skills in order to meet the changing demands and priorities of the business. Learning and Development programmes will be aligned with national strategies and priorities for economic growth and social development to enrich the creation of decent work and sustainable livelihoods for employees and the society in general. Priorities will focus on skills development programmes for previously disadvantaged groups with the aim for long-term and inclusion into the business through various programmes linked to categories B-D according to the Learning Programme Matrix.

OBJECTIVES	INDICATOR	TARGET	STRATEGY	TIMELINE	RESPONSIBILITY
Alignment of skills programmes with business needs	Training offerings are aligned with the Skills Matrix	80% of training offerings within category B,C & D of the skills matrix.	- Establishment of a training committee - Business needs assessment aligned to skills matrix	Before June 2018	Head of HR Skills Development Team



Training plan aligned to succession plan	- The correct demographics are being trained to support succession plan	5% of leviabale amount spent on black people (EAP targets are applicable) - a minimum of 40% must be achieved	Alignment of training plan to the succession plan and employment equity plan	Before June 2018	Head of HR Skills Development Team
Implement a disability learnership programme	- Disabled learners, either employed or unemployed on learnership programmes - Unemployed learners need to be absorbed to achieve bonus points	0.3% of leviabale amount spent on disabled people - a minimum of 40% must be achieved	- roadshow and awareness campaign regarding disability disclosure policy - Implement learnership programme for both employed and unemployed disabled learners - Ensure there is an absorption strategy for unemployed learners to achieve bonus points	Before June 2018	Head of HR Skills Development Team

Preferential Procurement

Transformative statement: Growthpoint contributes to transformation through its supply chain management. The integration of B-BBEE compliant businesses is key to driving transformation.

Enterprise and Supplier Development

Transformative statement: Growthpoint properties endeavors to create jobs through the support of small businesses. The support will be directed towards the inclusion of black-owned small businesses to the mainstream economy by adequately providing training



and opportunities for the businesses to grow. Property Point, the flagship enterprise development programme aims to provide a business benefit by having business that graduate from the programme into the supply chain.

OBJECTIVES	INDICATOR	TARGET	STRATEGY	TIMELINE	RESPONSIBILITY
Segmentation of procurement spent	<ul style="list-style-type: none"> - Procurement spend is analysed per category - BEE performance of suppliers are analysed per category 	<ul style="list-style-type: none"> - 40% procurement spent to companies who are at least 51% black owned - 100% of all suppliers must be BEE rated, with 80% of suppliers on a minimum of a level 4 - 12% procurement spent to companies who are at least 30% black woman owned 	<ul style="list-style-type: none"> - Draft a new procurement policy - Roll out supplier BEE workshops to provide assistance to suppliers - provide a grace period until June 2019 for all suppliers to be at least a level 4 BEE 	<ul style="list-style-type: none"> March 2018 April 2018 July 2019 	<ul style="list-style-type: none"> Procurement Transformation team
Continue support and funding of Property Point	<ul style="list-style-type: none"> - Develop prospective suppliers under the enterprise development programme - Develop current suppliers under the supplier development programme 	<ul style="list-style-type: none"> - 1% NPAT towards enterprise development - 2% NPAT towards supplier development 	<ul style="list-style-type: none"> - Continue to develop businesses that are at least 51% black owned for inclusion in GPT supply chain 	Ongoing	Property Point Team



Socio-economic Development

Transformative statement: Continue to support the plight of disadvantaged communities in South Africa with a specific focus on beneficiaries that are classified as black under the B-BBEE Act.

OBJECTIVES	INDICATOR	TARGET	STRATEGY	TIMELINE	RESPONSIBILITY
Socio-economic development	Annual value of all Socio-economic/CSI contributions of GPT	- 1% NPAT towards beneficiaries that are black	- CSI must be aligned with our focus on education and bricks and mortar projects -Where practically possible, CSI projects must be implemented in such a manner as to ensure that the beneficiaries are able to sustain the on-going viability of the project, i.e. in terms of training and through on-going support and guidance.	Ongoing	CSR Team

