



2020  
**Environmental,  
Social and  
Governance  
Report**



LIBERTY

two°degrees

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## REPORT NAVIGATION

### SIX CAPITALS

-  Financial
-  Human
-  Social and relationship
-  Manufactured
-  Intellectual
-  Natural

### STRATEGIC VALUE DRIVERS

-  Customer experience
-  Tenant experience
-  Employee experience
-  Capital and risk management
-  Financial outcome
-  The good we do



# ABOUT THIS REPORT

This, Liberty Two Degrees’ (L2D) first environmental, social and governance (ESG) report, is a detailed account of the Group’s performance for the year, covering ESG elements.

As one of the fastest growing segments, ESG indicators are becoming increasingly important factors for consideration in the investment process. Our investment in ESG elements is supported by the premise that companies that properly integrate ESG criteria into the fabric of their business processes and practices will see a positive impact.

We believe the implications for our investors are that L2D will create shared value in the long-term and that our commitment to ESG will give investors an opportunity to make investment decisions based on their own investment values.

IMPACT is our commitment to quality, business growth and sustainability and through IMPACT, our investment in ESG elements has enabled L2D to perform well during a volatile period, contributing to relative out-performance in key areas of ESG. This affirms, necessitates and emphasises the need to continue to consider ESG-related risks in our investment process as a mainstream investment strategy. For more on how we continue to create value through IMPACT, refer to [8](#) of this report.

Alongside our 2020 integrated report, this ESG report is intended to provide a holistic picture of our impact on value in the short-, medium- and long-term. While our integrated report is aimed primarily at providers of financial capital, this report is intended for a broader audience. Within this report, we recognise and report on specific stakeholder interests regarding environmental, social and governance issues. We take direction from the GRI’s Sustainability Reporting Standards, as well as other reporting frameworks and best practice. As the ESG landscape continues to evolve, we will constantly assess our approach and continue to refine our reporting over time.

Our report covers the period 1 January 2020 to 31 December 2020. Any material occurrences after this date and up until the approval date of this report are included. Assurance of information contained in this report is provided by external and internal providers, as indicated in the table below.

## INTEGRATED REPORTING SUITE

	DESCRIPTION	STANDARDS OR CODES	ASSURANCE PROVIDER
<b>INTEGRATED REPORT</b>	This report offers a holistic assessment of the group’s approach to value creation. The report considers the issues that are material to our commercial viability and legitimacy to enable us to deliver on our purpose in the short-, medium- and long-term. Where applicable, information in this report has been extracted from other reports including the ESG report that forms part of the integrated report.	Companies Act No. 71 of 2008 Johannesburg Stock Exchange Limited (JSE) Listings Requirements International Integrated Reporting <IR> Framework	Broad-Based Black Economic Empowerment (B-BBEE) - BDO South Africa Services (Pty) Ltd Information technology (IT) governance - LGL and STANLIB
<b>AFS</b>	Depicts L2D’s full audited annual financial statements, including detailed commentary on L2D’s risk management.	International Financial Reporting Standards (IFRS)	PricewaterhouseCoopers Inc. (PwC)
<b>ESG</b>	Provides detail on L2D’s environmental social and governance (ESG) impacts, as well as how these contribute to the group’s long-term sustainability and ability to achieve its purpose.  This report forms part of the integrated report.	King IV™ Report on Corporate Governance for South Africa 2016 (King IV™)  GRI standards	PwC provided assurance on the carbon emission of the Liberty portfolio on 100% ownership basis.  Refer to LHL’s ESG report for assurance from PwC.



# ABOUT L2D



Liberty Two Degrees (L2D) is a South African precinct-focused, retail-centred real estate investment trust (REIT) with a portfolio of quality, iconic property assets. With a view to continuously improving the quality of our assets and introducing innovative and unique experiences that attract tenants and customers to our spaces, we strive to create sustainable value for all our stakeholders.

L2D was first listed as a Collective Investment Scheme in Property on the Johannesburg Stock Exchange in December 2016. L2D was reconstituted as a corporate REIT in November 2018 to better align the Company to shareholder preferences while positioning the Group for sustainable growth.

To ensure the quality of our assets, we passionately pursue operational excellence and seek to stay abreast of property, digital and leisure trends in order to cater to the ever-changing needs of customers. We care about our surrounding communities, society and minimising our impact on the environment, which we address through several meaningful and innovative initiatives.

Our business model is focused on achieving positive outcomes that support and drive the realisation of our vision and purpose.

## Our purpose

TO CONTINUE TO CREATE EXPERIENTIAL SPACES TO BENEFIT GENERATIONS

## Our values

- P**ASSION
- A**CCOUNTABILITY
- C**CARE
- E**XCELLENCE

## Our vision

TO BE THE LEADING SOUTH AFRICAN PRECINCT-FOCUSED, RETAIL-CENTRED REIT

## OUR ESG REPORTING BOUNDARY

L2D has outsourced the property management function for all properties (other than Melrose Arch) to JHI Retail Property Proprietary Limited (JHIR). Melrose Arch is managed by Amdec. L2D appreciates the importance of the relationships with its service providers and has entered into service level agreements with the property managers to assist in administrative matters, including rental collection.

Transactions with related parties are at arm's-length and are market related.



## INVESTMENT CASE

### Focused investment strategy

Property is a long-term asset class. We pursue sustainable value delivered over the short- and medium-term that aligns to our long-term strategy. We leverage our unique competencies by investing in large precincts and close to, high-density areas and economic nodes in South Africa. As a retail-centred REIT, we invest in other property categories within retail-focused precincts to facilitate the creation of multi-purpose destinations and unique communities that serve evolving consumer needs.

### Quality iconic property portfolio

The L2D portfolio consists of iconic South African, predominantly retail-focused assets. We also own complimentary office and hospitality properties within our precincts, which are anchored by blue-chip tenants. Additional assets in our portfolio, including mixed-use commercial and industrial developments and stand-alone offices, will be disposed of when the right circumstances prevail.

### Strong balance sheet and financial strength

Our consistently applied prudent capital management strategy, in support of our quality assets, continued to protect value and create a platform to deliver sustainable operations and future growth over the medium term.

### Future-focused insight

Evolving consumer demands together with advances in technology are transforming the retail landscape at an unmatched pace. We are proactively adapting to this retail evolution and the changing role of the store, consistently challenging ourselves to meet current and future needs by implementing strategies to drive the co-existence of the online and offline (in-mall) experiences to create seamless customer journeys and experiences. The quality of our portfolio together with our future-focused strategy support our capability to take advantage of this developing market trend.

## What differentiates us

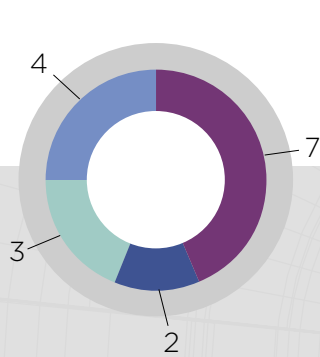
Beyond the elements of our investment case, we seek to differentiate ourselves through:

- Understanding our tenants and customers and striving to meet their ever-changing needs
- Attracting tenants and customers to our centres through experiential offerings to increase shareholder value
- Ensuring our buildings and centres are exceptionally well run and maintained and remain unique and relevant to their surrounding communities
- Delivering extraordinary customer and tenant service experiences to stay at the forefront of an evolving retail environment

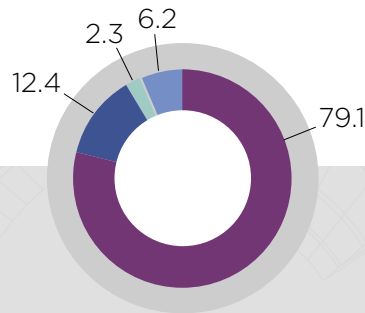


# OUR PROPERTY PORTFOLIO

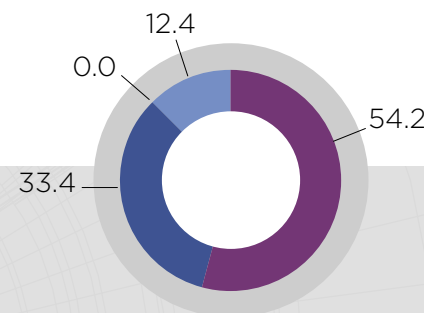
L2D has a quality, iconic property portfolio of South African assets



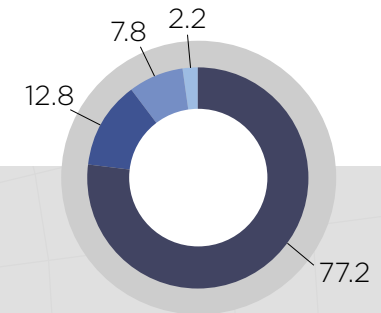
NUMBER OF ASSETS



GROSS RENTAL INCOME<sup>1</sup> AS PERCENTAGE OF TOTAL PROPERTY PORTFOLIO (%)



GROSS LETTABLE AREA (GLA) PER SECTOR (%)



GLA PER PROVINCE (%)

■ RETAIL 
 ■ OFFICE 
 ■ HOTELS 
 ■ SPECIALISED

■ GAUTENG 
 ■ KZN 
 ■ WC 
 ■ FREE STATE

<sup>1</sup> Gross rental income consists of rental income plus property expenses



## Retail

79.1 Gross rental income as proportion of total property portfolio (%)

512 701 GLA (m<sup>2</sup>) at 100% ownership

148 169 GLA (m<sup>2</sup>) at L2D ownership

95.3 Occupancy (%)



## Office

12.4 Gross rental income as proportion of total property portfolio (%)

316 012 GLA (m<sup>2</sup>) at 100% ownership

55 212 GLA (m<sup>2</sup>) at L2D ownership

87.6 Occupancy (%)



## Hotels

2.3 Gross rental income as proportion of total property portfolio (%)

OVER 1 000 Rooms at 100% ownership

19.4 Occupancy (%) full capacity

46.7 Occupancy (%) open for trade



## Specialised

6.2 Gross rental income as proportion of total property portfolio (%)

117 606 GLA (m<sup>2</sup>) at 100% ownership

23 833 GLA (m<sup>2</sup>) at L2D ownership

100 Occupancy (%)



## Key highlights for total property portfolio

**R8.5 billion**

L2D's property portfolio value  
(2019: R10.3 billion)

**R7.71**

net asset value per share  
(2019: R9.65)

**227 213 m<sup>2</sup>**

total GLA L2D %  
(2019: 234 038 m<sup>2</sup>)

**93.3%** (94.1%+ new lets)

portfolio occupancy  
(2019: 95.3%)

**84.2%**

tenant retention  
(2019: 84.7%)

## L2D has investments in the following assets

OWNERSHIP		GLA 100% (m <sup>2</sup> )	GLA L2D% (m <sup>2</sup> )	PROPERTY VALUE 100%	SECTORS				PROPERTY VALUE L2D%
GAUTENG	25%	Sandton City Complex	195 941	48 937	R12 435 100 000				
	33%	Eastgate Complex	143 344	47 735	R7 174 900 000				
	8%	Melrose Arch precinct	198 879	16 557	R5 990 000 000				
	25%	Sandton Specialised*	61 316	15 314	R1 335 778 279				
	33%	Nelson Mandela Square	38 595	12 852	R1 217 500 000				
	17%	Standard Bank Centre	92 789	15 450	R885 000 000				
KWAZULU-NATAL	33%	Liberty Midlands Mall	78 249	26 058	R2 190 800 000				
	33%	John Ross Eco-Junction Estate - Tangawizi	7 060	2 351	R65 000 000				
	23%	John Ross Eco-Junction Estate - Melomed	13 809	3 219	R540 571 429				
	33%	John Ross Eco-Junction Estate - development land	n/a	n/a	R90 310 000				
	33%	Liberty Centre Head Office and Umhlanga Ridge Office Park	22 201	7 393	R306 600 000				
WESTERN CAPE	33%	Liberty Promenade Shopping Centre	73 392	24 440	R1 610 000 000				
FREE STATE	33%	Botshabelo Mall	20 743	6 908	R280 100 000				

Property valuations resulted in write-downs of R1.7 billion in 2020 which represents a decrease of 16.3% of the portfolio value. The property valuations have been negatively impacted by, *inter alia*, the negative effect of COVID-19 on current year rentals and growth assumptions for the forecasted period, higher vacancies, the likelihood of negative reversions for lease renewals and the expectation that letting currently vacant space will take a longer time period.

\* (Sandton Sun and InterContinental Towers, Garden Court Sandton City, Sandton Convention Centre, Virgin Active Sandton). GLA refers to Virgin Active and Convention Centre only.

Refer to Tenant experience on 42 for more information.

# DELIVERING PURPOSE THROUGH STRATEGY

L2D aims to deliver sustainable returns to shareholders through a quality property portfolio managed by our experienced leadership and management teams. Achieving this strategic goal has been our driving force since L2D's inception in 2016. Leveraging the experience and expertise of our management team ensures that we are well positioned to achieve our objectives.

## WHERE WE WANT TO GO

### Our purpose

To continue to create experiential spaces to benefit generations

### Our vision

To be the leading South African precinct-focused, retail-centred REIT

## HOW



### Futureproofing our assets

The building blocks support the strategic pillar of keeping our assets relevant for the future of retail.



### SMART SPACES

We aim to secure and sustain our leading position in the market by remaining at the forefront of innovative design thinking. The creation of smart environments that integrate technology to enhance the customer and retailer experience is a key initiative in this strategic growth area.



### GOOD SPACES

Our shopping malls are ecosystems that provide trading and experiential environments for some of the world's most iconic brands. With this in mind, we understand the importance of partnering with our stakeholders to accelerate our positive impact on the climate and our natural environment.



### INTERACTIVE SPACES

is an opportunity for an interchange of ideas and experiences. The emphasis is on interaction, fast-paced excitement, experience and stimulus.



### SAFE SPACES

underpins all our efforts in all other building blocks - considers the wellbeing of those who use our spaces at all times.



### Passionate people

Our philosophy is to put our people at the heart of everything that we do and encourage inspired, passionate and empowered people who maintain balanced lives.

Our leadership focus is on delivering results while challenging each person to take ownership of their performance, their learning and growth and the extent to which they are able to make a meaningful and productive contribution, to build their capabilities and to lead from wherever they are.

Our people practices are geared to supporting this culture in the organisation and towards achieving outcomes that are aligned with our overall strategy. We strive to keep our values of passion, accountability, care and excellence as core to the way in which we work together.



ENCOURAGE INSPIRED, PASSIONATE AND EMPOWERED PEOPLE THAT MAINTAIN A BALANCED LIFE



### Growth across all time horizons

The right kind of growth is critical. To maintain perspective in driving growth across all time horizons, we have split focus areas into the time required to deliver our desired growth.

#### Short term

Our short-term focus is to close out all the rental relief negotiations and centre expense rationalisation processes to set the base for a sustainable trading environment going forward.

#### Medium term

Our medium-term focus is on the execution of the actions identified in the asset master plans and five-year strategies. These will have the relevant governance oversight.

#### Long term

We aim to create robust assets that can flexibly benefit generations, allowing for agile and adaptable environments that align with our sustainability goals. We have aligned ourselves with five SDGs that fit the profile of our business, as well as setting Net-Zero 2030 Ambitions.

See 1 of this report for more information or our Integrated Report, available online.



### HOW WE MEASURE PROGRESS



Customer experience



Capital and risk management



Tenant experience



Financial outcome



Human experience



The good we do

### KEY PERFORMANCE INDICATORS (KPIs)

Turnover growth

Occupancy

Inspired, passionate and empowered people who maintain balanced lives.

LTV and hedge ratio

Distribution per share and net property income growth

Water and electricity performance



# OUR APPROACH TO ESG

## INTRODUCING IMPACT

L2D has been proactive in pursuing best-practice disclosure. We are proud of our first separate environmental, social and governance (ESG) report. The report comprises a detailed account of the Group's ESG performance for the year.

Although the elements of ESG are not new to our business, and we have been proactive in disclosing relevant ESG matters since our listing, these disclosures previously took place within the framework of our Integrated Report. Going forward, we believe that focused ESG reporting will be valuable in honing our efforts to create sustainable value and communicating these efforts to the market.

Our IMPACT value proposition allows us to communicate our progress regarding relevant ESG factors under one umbrella, supporting efficient reporting. IMPACT signifies our commitment to quality, business growth and sustainability while creating shared value for our stakeholders.

## ESG IN OUR BUSINESS CONTEXT

Our business is well positioned to counter environmental challenges backed by a focused strategy and a committed management team. We strive to achieve our vision to be the leading South African precinct-focused, retail-centred REIT as we stand ready to lead through uncertain and challenging environments.

Our commitment to ESG underpins and enables our financial and operational performance while safeguarding our portfolio's relevance. Our focus on achieving our ESG objectives reduces our exposure to commercial risk and asset obsolescence by ensuring that our assets are future-ready. Furthermore, our IMPACT approach enables us to retain a sharp focus on the long-term sustainability of L2D, while enhancing our distinctiveness and competitive edge.

## A CLEAR AND DETERMINED PATH FORWARD

This past year has tested us in ways we could never have imagined. It made us all take stock of the critical links between nature and the economy and between stakeholder relationships and business sustainability – and our growing responsibility to be part of the solution in challenging times.

We endeavour to leading the way forward by setting and achieving our ambitious targets. We have reviewed and ranked the UN Sustainable Development Goals (SDGs) based on their relevance to our business. This endeavour helps to guide how we prioritise our resources and commitments. We have identified the most significant priorities across each of the goals and continue to integrate these into our business (see [12](#)).

Our Net-zero targets were determined in 2018. Since then, we have made substantial progress in making real change on the ground (see [18](#) for more detail).

In determining the path forward, we are guided by the principles of empathy and continuous engagement, recognising our responsibility to create shared value for all our stakeholders.

Certainly, as we navigate 2021, our commitment to positive change in the retail sector is fundamental to our approach. Indeed, we do not want to simply rebuild; we want to make an IMPACT by building tomorrow, together.



## IMPACT OVERVIEW

1

### Environmental

Implemented a **policy that sees the banning of plastics across the portfolio to combat plastic waste**

**All L2D's retail assets achieved Green Star certification** – a South African industry first – with Sandton achieving a **world-leading 6-star rating**

We remain focused on our **Net-zero 2030 Aspirations**

Completed **Eastgate solar project**

**Joined SA Plastics Pact** as the first landlord, enabling a circular economy for plastics

**Saved 216 million litres** of potable water achieved partially through initiatives

2

### Social

Awarded **COVID-19 compliant ratings for** all our malls by the SAFE Asset Group

**R1.6 million** contributed towards initiatives that supported our communities through the COVID crisis

**Extensive communication campaigns** to promote physical distancing, wearing of masks and hand sanitising and washing

Carried out a **#FutureWork survey**

Our **Inclusivity, Diversity and Employment Equity** forum meets quarterly to help drive our transformation ambitions throughout the organisation

3

### Governance

**Two independent non-executive** Board members appointed

**Related Party Committee formed**

**Safeguarded L2D's culture of ethical leadership**



## L2D'S COMMITMENT TO ESG

We are committed to growing a sustainable business that continues to create shared value today and into the future by addressing societal challenges while simultaneously creating value for the business.

L2D strives to be one of South Africa's leading property investment brands. Our core strategy is to provide consistent returns to meet or exceed stakeholders' expectations while managing and reducing the portfolio's negative environmental impact and enhancing our positive social impact on the communities in which we operate.

The delivery and offering of sustainable real estate will be achieved through a well-developed sustainability strategy that aims to use resources in a cost-effective and socially responsible manner.





## OBJECTIVES AND COMMITMENTS TO ENVIRONMENTAL SUSTAINABILITY

- Conduct assessments for energy, water and waste management to promote the efficient use of resources across the portfolio
- Continue to investigate the feasibility of renewable and alternative energy and to add to the current investment in these projects where suitable returns and pay-back periods are realised
- Reduce all waste streams to landfill to achieve Net-zero Waste
- Continue to investigate and implement, where feasible, the continuous reduction of water usage and reuse in the portfolio
- Investigate the Company supply chain in order to identify efficiencies and possible alternative products or services
- Give preference to procuring products, materials and services that minimise the harmful effects on the environment arising from their production, transportation, use and disposal
- Strive to design and develop any new properties, should development be undertaken, to a minimum 4-Star Green Star Rating irrespective of whether the properties will be certified while maintaining and enhancing our existing Green Star Existing Building performance ratings
- Promote environmental sustainability within the organisation as well as to tenants and the public
- Collect and provide accurate data on electricity, water, waste, refrigerant, diesel and gas consumption on properties
- Stay committed to United Nations Principles of Responsible Investing (UN PRI) and Code for Responsible Investing in South Africa (CRISA) standards, including specific requirements for investments
- We are making progress in developing green leases to be implemented across the portfolio

## OBJECTIVES AND COMMITMENTS TOWARDS SOCIAL RESPONSIBILITY

- Enforce all terms of the Health and Safety Act in order to provide a safe and healthy environment for tenants, employees and the public
- Record and report on all health and safety incidents through the appropriate channels
- Promote visible health and safety signage where applicable and train occupational health and safety representatives
- Implement human-resource development in line with B-BBEE standards as set by the Department of Labour
- Strive to make a positive impact on sustainable socioeconomic and community development
- Ensure human rights are upheld through the prevention of unfair discrimination and harassment of any kind at any of the properties within the portfolio

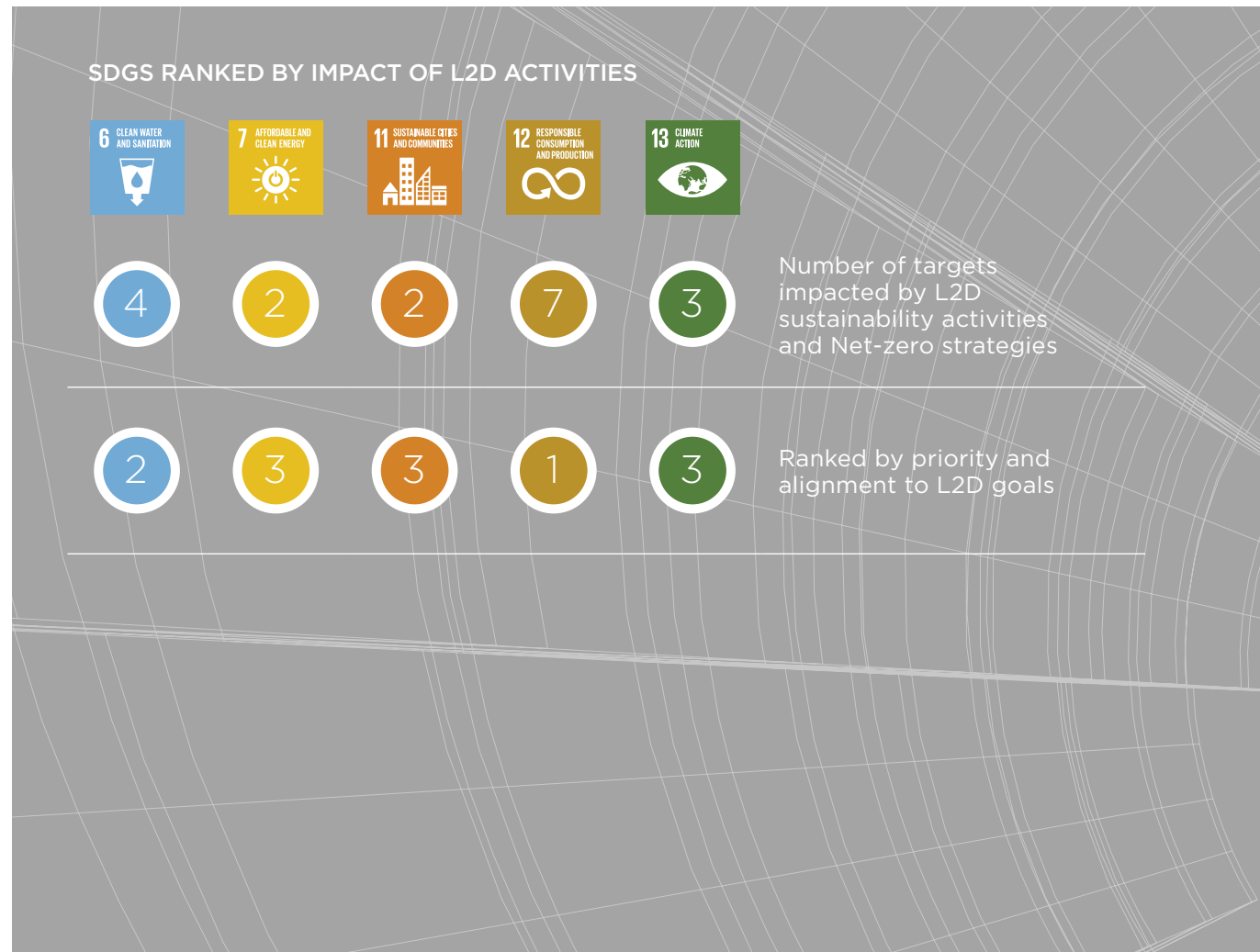
## OBJECTIVES AND COMMITMENTS TO ECONOMIC SUSTAINABILITY

- Invest responsibly in all portfolio resources to provide a sustainable environment for employees, tenants and customers
- Monitor direct and indirect financial impacts on the portfolio
- Reduce the risks associated with electricity supply, electricity cost, water supply, waste management and climate change. Key areas to address these risks, where financially viable in terms of returns and pay-back periods, include:
  - Investigate renewable and alternative energy projects
  - Reduce wasteful use of electricity and implement efficiency technology
  - Investigate rainwater harvesting and promote water efficiency, where financially viable
  - Annually assess all relevant sustainability risks and opportunities that will potentially have a material impact on the business at an individual property level

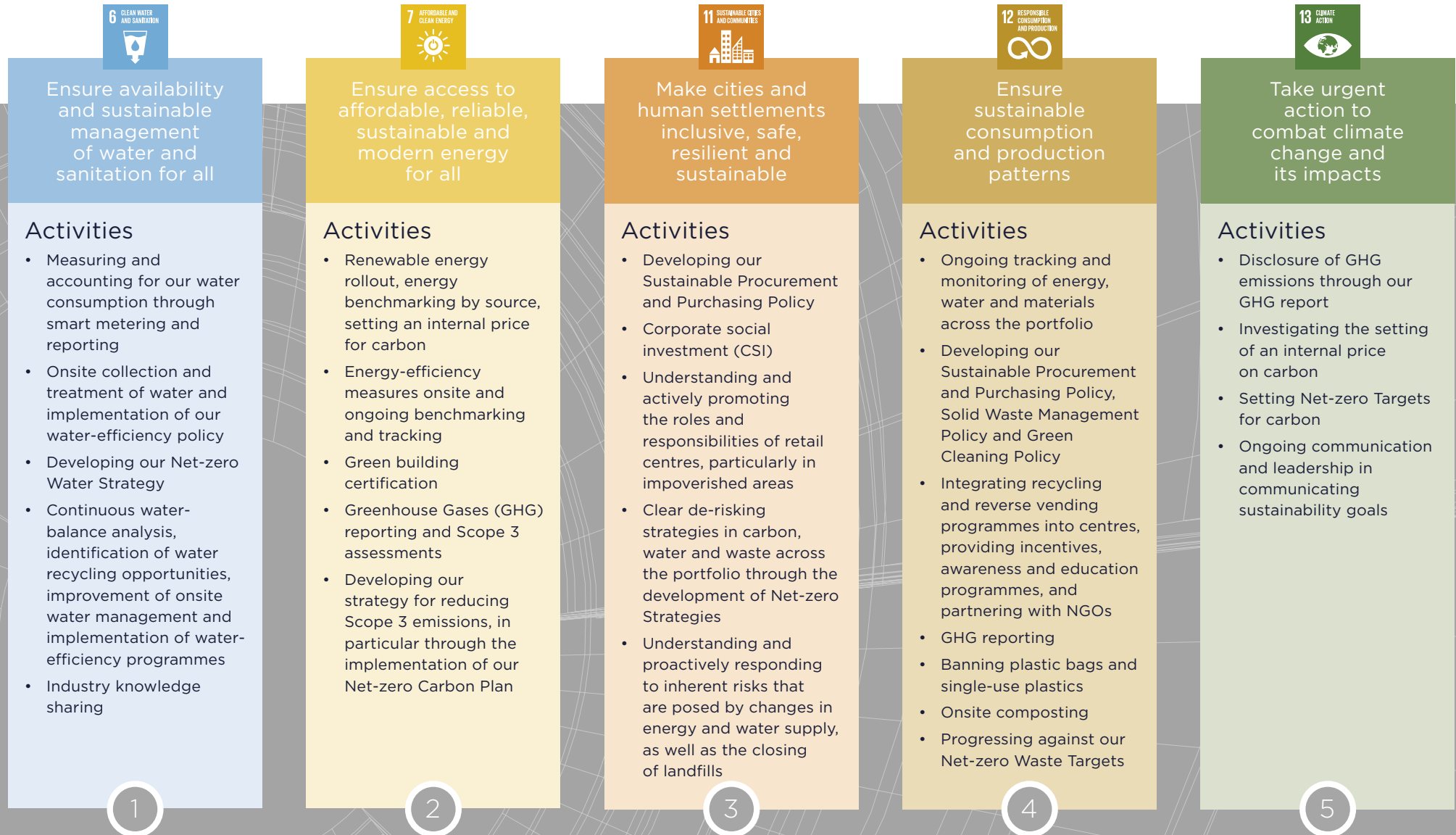
# ALIGNMENT WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The United Nations has developed 17 internationally recognised SDGs to be achieved by 2030, with a view towards ending all forms of poverty, fighting inequalities and tackling climate change while ensuring that no one is left behind.

L2D aims to create robust assets that can benefit generations, allowing for agile and adaptable environments that align with our sustainability goals. We reviewed and ranked each SDG relative to our ability to support and drive their targets in terms of our vision and overarching sustainability strategy. By going through this process, we have aligned ourselves to five SDGs that speak to our key impact areas and fit the current profile of our business.



The five SDGs that are the most relevant to us and to which we are already making a meaningful contribution are:





# ENVIRONMENTAL IMPACT OVERVIEW

Natural capital is critical to the day-to-day functioning of our business and forms part of our strategic thinking.

We remain focused on implementing our bold commitments to minimise our impact on the environment while protecting and preserving our natural resources. This will ensure that we drive operational efficiencies for the long-term sustainability of the business.

L2D has an effective framework to continually improve environmental impacts while implementing sustainable and long-term cost savings.

## OVERVIEW

We remain focused on our **Net-zero 2030 Aspirations**

**Invested\* R33 million in 2020 towards achieving our Net-zero Ambitions** (2019: R24 million)

Implemented a policy that sees the **banning of plastics across the portfolio to combat plastic waste**

**All L2D's retail assets achieved Green Star certification** – a South African industry first – with Sandton achieving a **world-leading 6-star rating**

**Reduced water usage by 29%** in retail and offices by **51%** (from 2019) respectively

**Reduced energy use intensity per m<sup>2</sup> by 54% and 20%** (from 2019) in offices and retail respectively

Appointed GCX **to improve utilities and carbon footprint reporting**

**Saved 216 million litres** of potable water

Completed **rainwater harvesting** project at Midlands Mall

**Completed our portfolio's second solar project at Eastgate Shopping Centre.** This after an installation of a similar size at Midlands Mall in 2019

Joined the **SA Plastics Pact as the first landlord to support the implementation of solutions that enable a circular economy for plastics**

*\* At full ownership level*



Good Spaces

## DEDICATED TO ENVIRONMENTAL EXCELLENCE

L2D, through its co-owned portfolio of shopping centres, has embedded environmental initiatives in its Group strategy, adopting sustainability policies throughout the investment process.

L2D's malls are established as environments that are enablers for our tenants and customers through initiatives that align with its Good Spaces strategic building block. Good Spaces aims to create environments that are agile, adaptable and aligned to the SDGs.



Be The Change  
see the difference

Through Good Spaces, we ensure that we continue to reduce our operations' impact on the natural environment. We have made good progress to achieving our Net-zero Waste Target, which was initially set for the end of 2020. However, due to the impact of COVID-19 on our ability to deliver this initiative, we have revised this target for achievement by the end of 2021. We have also committed to Net-zero Targets for water by 2025 and carbon by 2030, which will accelerate our positive impact. Our aim is to take all our stakeholders on this journey with us, inspiring them to adopt climate-positive practices in their everyday lives through our #BeTheChange campaign.

Good Spaces initiatives have already been implemented in pursuing further opportunities relating to renewable energy supply, optimising energy and water usage, setting and meeting annual targets for the reduction of carbon emissions, and successfully achieving Green Star ratings for all our retail buildings.



# UNDERSTANDING CLIMATE CHANGE RISK

The COVID-19 pandemic has been described as a dress rehearsal for the upheaval that will be caused by climate change. Property portfolios, in particular, face significant risk as a result of climate change – both physical and transitional in nature.

Physical risks include damage to buildings from extreme weather events caused by climate change, while transition risks arise from efforts to address climate change and the transition to a low-carbon economy.

As a long-term asset class with fixed asset locations, the property sector is especially vulnerable to both categories of risk, including acute physical risks like floods and wildfires, longer-term chronic risk such as rising sea levels, and more immediate transitional risk as investors seek out portfolios that actively mitigate climate risk.

## A CLIMATE-CONSCIOUS BUILDING IN ACTION – LIBERTY MIDLANDS MALL

In conjunction with Wildlands Trust, Liberty Midlands Mall has a Recycling Hub for customer and mall use to recycle waste and prevent plastic pollution. Mixed materials such as plastic, tin cans, glass and paper are turned into materials reused to make bricks and pavers.

To reduce carbon emissions and reliance on non-renewable energy sources, Liberty Midlands

Mall's 6 549 m<sup>2</sup> 1 MW solar photovoltaic (PV) roof structure generates a significant proportion of its energy requirements.

The mall saves water by harvesting rainwater and treating it onsite. The treated water is then reused for the cooling towers and non-potable toilet flushing. This way, fresh, drinkable water is not unnecessarily used or wasted. The rainwater harvesting system can supply up to 80 000 litres of water back into the mall every day.



Feedback on policy implementation per centre is included in bi-monthly executive committee reports and forms part of each Board report to facilitate the necessary operational and capital expenditure decisions.

Recognising the growing demand for decision-useful, climate-related financial information by investors, and believing that monitoring, measuring and integrating climate risk could help the business better measure and manage the transition and physical risks of climate change. A task team has been established in conjunction with the Liberty Group relating to Climate-related Financial Disclosure (TCFD).

# UNDERSTANDING CLIMATE CHANGE RISK CONTINUED

## OUR NET-ZERO JOURNEY

To avoid the cataclysmic dangers of climate change, scientists have warned that global GHG emissions must rapidly decline – reaching Net-zero by 2050 to limit global warming to 1.5°C and deliver the goals of the Paris Agreement.

Alarmingly, the property sector accounts for nearly 40% of GHG emissions and more than a third of global final energy use.<sup>1</sup> Therefore, the building sector constitutes the single largest sector with the greatest opportunity to effect climate-positive change at the lowest cost and greatest speed. In line with this, the World Green Building Council has recommended that all new buildings should be Net-zero Carbon by 2030 and all existing buildings be Net-zero Carbon by 2050.

We believe that our buildings can be catalysts for rapid and sustained climate-positive impacts. This depends on how and where we build and upgrade; how we use and reuse waste and by-products from our buildings; how we consume, conserve and generate energy; and how we retrofit and manage our existing building stock.

L2D first embarked on our Net-zero journey in 2018 to proactively mitigate our negative impacts. Water, waste and energy policies were developed through an iterative consultation and review process and signed into effect towards the end of 2018. The policies set out our targets and metrics and the principal mechanisms for implementation, providing a concise framework that is essential in achieving the overall goals on our Net-zero journey.

Since introducing these policies to our internal and external stakeholders, we have made substantive headway in improving environmental performance in the critical areas of energy and water efficiency, see [20](#) to [30](#).



## OUR NET-ZERO ROAD MAP

Despite the COVID-19 impact on the delivery of our Net-zero targets, in particular the Net-zero Waste 2020 target, which was revised to the end of 2021, the pandemic has provided a new opportunity to reset our environmental future, presenting ways in which we can rebuild and renew. It is imperative that as government and the private sector focus on rebuilding, opportunities to accelerate the transition to a cleaner economy are also considered.



WATER



ENERGY



WASTE

<sup>1</sup> International Energy Agency for the Global Alliance for Buildings and Construction 2018 Global Status Report (2018)



2017

2018

2019

2020

2021

2022

2025

2030



BASELINE AUDITS

BASELINE PORTFOLIO WATER CONSUMPTION 2018

NO COST/LOW COST AND CAPEX INTERVENTION BEING IMPLEMENTED

SMART METERING IMPLEMENTED

RETROFITS/WATER TREATMENT PLANT

FUTURE ASSESSMENTS 2022 - 2025

ONSITE TREATMENT AND PRODUCTION

NET ZERO WATER



ENERGY IS SPLIT 40% L2D AND 60% TENANT

TENANT ENERGY AUDITS REQUIRED

CAPITAL PROJECTS  
EQUIPMENT UPGRADES FOR ENERGY EFFICIENCY

SMART METERING IMPLEMENTED

ENERGY MODELING TO TEST INTERVENTIONS

BASELINE PORTFOLIO WATER CONSUMPTION 2018

MAXIMUM 10% OF TOTAL ENERGY DEMAND TO BE MET BY ONSITE RENEWABLE ENERGY

TARGET TO REDUCE TENANT AND L2D CONTROLLED AREAS USAGE BY 9.5%

TENANT ENERGY AUDITS REQUIRED

TARGET TO REDUCE ENERGY SAVINGS THROUGH CAPITAL PROJECTS 6.5%

RETROFITS/WATER TREATMENT PLANT

NET ZERO CARBON



WASTE STREAM AUDITS

BASELINE WATER USAGE

TENANT ENGAGEMENT

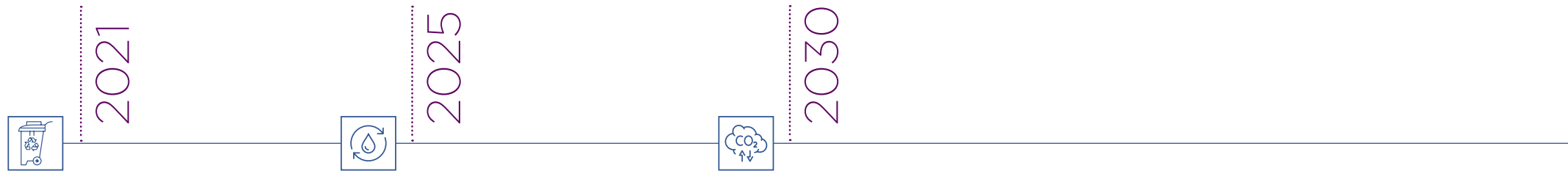
VARIABLE WASTE BILLING

NET ZERO WASTE



# ENVIRONMENTAL IMPACT OVERVIEW CONTINUED

## Our progress



### Net-zero **Waste** by 2021

L2D's portfolio recycled 2 440 tonnes including 170 tonnes of organic waste through composting facilities located at its Sandton City and Eastgate sites. This is achieved through innovative technologies implemented at its properties, including waste composters, recycling hubs and recycling units. L2D has implemented a Plastic-free Policy across our portfolio to combat plastic pollution.

### Net-zero **Water** by 2025

Already making significant inroads, L2D has saved 216 million litres of water in the last year across the portfolio which equates to 37% of the total portfolio consumption, achieved through, among others, the implementation of rainwater harvesting systems and dual plumbing at Liberty Promenade and Liberty Midlands Mall, condensation water harvesting and advanced low-flow toilets at Sandton City and Nelson Mandela Square and through continued water resilience planning. Additional water-efficiency initiatives are currently being investigated.

### Net-zero **Carbon** by 2030

Smart metering systems have been rolled out across the portfolio and comprehensive energy audits have been conducted. L2D has installed a 1MW solar roof system at Liberty Midlands Mall and a similar-sized system went live in November 2020 at the Eastgate Shopping Centre. The upgrade of equipment such as lifts, escalators, lighting, air-conditioning systems and other technical equipment across the portfolio to more energy-efficient options will continue.

### Our progress Monitoring, metering and benchmarking

Meaningful progress is dependent on knowing where we started and how well we are doing. All properties owned and controlled by L2D are benchmarked monthly relative to a 2018 baseline, to global and local benchmarks and within the portfolio, and the results are reported regularly. The energy, water and waste performance of all properties are reported via an online analytics platform that provides insights into normalised performance, targets and energy-use intensity, carbon intensities and many other reporting functions. Due to the extraordinary impact of COVID-19 on demand and consumption in 2020, we will establish new baseline and reduction targets for both water and electricity in 2021.



## EASTGATE SHOPPING CENTRE

COMPLETED OUR PORTFOLIO'S SECOND SOLAR PROJECT AT EASTGATE SHOPPING CENTRE. THIS IS AN INSTALLATION OF A **1MW SOLAR SYSTEM**, A SIMILAR SIZE TO THE MIDLANDS MALL SOLAR PV PANEL.



# ENERGY



South Africa is heavily reliant on coal-generated electricity, and as a result, is one of the world's largest emitters of CO<sub>2</sub>. At L2D, we continually seek opportunities to reduce energy consumption across our portfolio by introducing renewable energy sources such as solar PV installations, minimising energy usage in common areas and assisting our tenants in reducing energy consumption and cost.

To demonstrate clear alignment with our Net-zero goals, it will become L2D policy to endeavour to obtain, by 2030, Net-zero or positive energy status for the entire portfolio. This is in line with the Green Building Council of South Africa's Net-Zero/Net-Positive Certifications scheme, part of the World Green Building Council's global project, Advancing Net-Zero.

## ENHANCING OUR ENERGY EFFICIENCIES

Energy efficiency reduces the environmental burdens associated with producing and using energy. Fossil fuels such as coal and oil remain the most common source of energy used in buildings. Fuel-based energy use is directly associated with climate change and poses serious environmental and human health and safety risks. Although solar and other renewable energy technologies usually take the spotlight, energy efficiency often works quietly in the background, making huge strides in lowering emissions.

### Identifying opportunities to enhance efficiencies

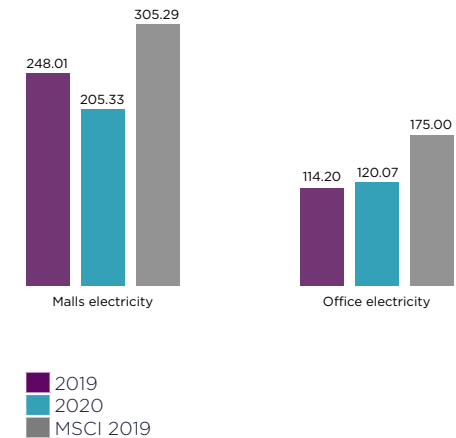
L2D carried out both high-level and comprehensive energy audits in 2019. The high-level audit evaluated each building's energy performance and energy consumption by analysing building energy bills and conducting a brief visual survey. The audit gathered facility-wide energy consumption data, derived performance indicators, and identified measures to improve building energy performance.

The comprehensive energy audit comprised a detailed examination that included a breakdown of energy distribution within each building. The analysis considered each building's operations and maintenance practices, constraints, and economic criteria. Potential capital-intensive opportunities were identified for further research and analysis.

## A phased approach

The 2019 audits identified opportunities to take advantage of low-hanging fruit, including no-cost, low-cost and low-capital interventions that would yield significant energy savings. It made pragmatic, financial sense to initially pursue these areas and address matters that required significant capital spend subsequently.

## ELECTRICITY PERFORMANCE - OFFICE AND MALL AVERAGES (kWh/m<sup>2</sup>/annum)





### Area of focus      Actions in 2020      Progress

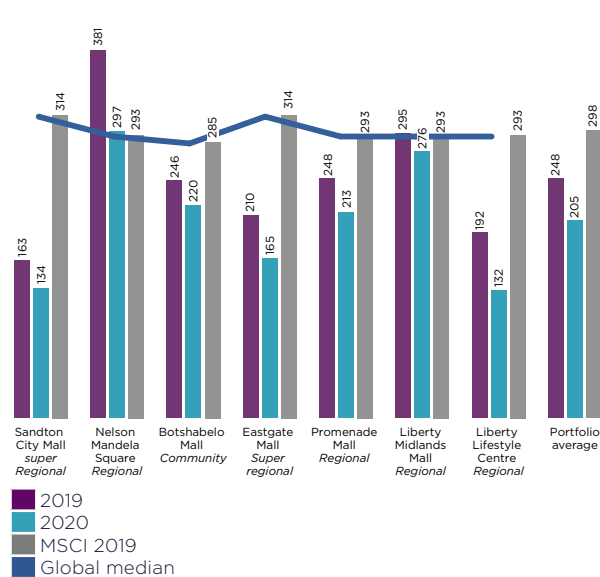
Heating, ventilation and air-conditioning operational efficiency	Daily indoor air temperature controls optimisation	COMPLETED <span>100%</span>
Indoor air quality and thermal comfort improvement	Implementing demand ventilation based on CO <sub>2</sub> levels	COMPLETED <span>100%</span>
Energy-efficient lighting installation	Replacing energy-intensive light bulbs with energy-efficient ones	IN PROGRESS <span>70%</span>

### Behavioural change

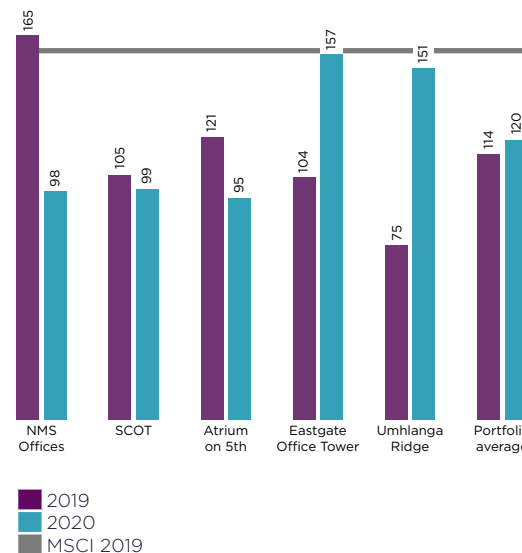
Behaviour can be a significant driver of energy efficiency. Over 70% of energy use in L2D malls is consumed in tenant spaces. We are currently considering measures to facilitate tenant awareness and behaviour change, including:

- Providing increased transparency to tenants on their consumption data, over and above monthly billing.
- Giving tenants access to their electricity meters, allowing them to set energy budgets and track actual versus budgeted use.
- Providing tenants with advice on relevant energy-efficient technologies.
- Creating financial incentives to allow for the rapid upgrade of tenant lights.
- Introduction of green leases, governing energy-efficient practices.

#### MALL'S ENERGY PERFORMANCE: 2018 - 2020 (kWh/m<sup>2</sup>/annum)



#### OFFICES ENERGY PERFORMANCE: 2018 - 2020 (kWh/m<sup>2</sup>/annum)



# ENERGY CONTINUED

## Energy consumption and reduction

In line with L2D property operations requirements and all relevant legislation and by-laws, L2D is committed to compliance with all energy management laws, regulations and Codes of Practice in existing operations, upgrades and new developments.

In 2018, we committed to ensuring that by December 2020, the total energy usage of the grid-delivered energy would be 10% lower than an energy baseline established in 2018 for each property. This target was met across the L2D portfolio, although a proportion of the reduction was undoubtedly due to reduced demand due to the COVID-19 pandemic. Our working estimation is that around 80% of the reduction was due to the impact of COVID-19 and the balance due to ongoing energy-efficiency initiatives.

### Total energy consumption<sup>1</sup>

	Unit	2020	2019
Total electricity purchased (grid)	MWh	137 493	172 212
Total electricity generated (solar PV) <sup>2</sup>	MWh	1 385	900
Total electricity generated (Diesel) <sup>3</sup>	MWh	18	19
<b>Total</b>	<b>MWh</b>	<b>138 896</b>	<b>173 131</b>

<sup>1</sup> Reduced activities at the malls due to lockdowns, combined with portfolio-wide energy management, yielded an improvement year-on-year.

<sup>2</sup> In addition to the Midlands 1MW solar PV plant, the new 1MW solar PV plant at Eastgate Shopping Centre came online in November 2020.

<sup>3</sup> Electricity produced by the diesel generators were estimated from the litres refilled divided by 10,000 to get it to MWh produced.

## Continuous energy performance assessment and disclosure

We are cognisant that rising electricity costs impact tenant affordability, which ultimately matters to our business and stakeholders. To monitor usage and enhance our property managers' capabilities, we have installed smart energy metering at Sandton City, Nelson Mandela Square, Promenade, Midlands Mall and Eastgate. This metering system takes readings at half-hourly intervals and is subject to regular data integrity verification and annual third-party data assurance.

Data is applicable at tenant and sub-system level and allows for live and granular assessments and reviews. Implementing this comprehensive metering strategy has enabled us to gain a clearer picture of the best optimisation efforts to pursue.

We continually assess and benchmark the energy performance of each of the properties owned by L2D. This allows L2D and the property management company to understand the portfolio's operational performance relative to similar buildings (locally and globally), as well as when compared across the portfolio, refer to *Malls' energy usage against 2018 baseline (kwh/m<sup>2</sup>/annum)* illustrated on 21.





## GRID ELECTRICITY CONSUMPTION INTENSITY

On average, the energy-use intensity in our buildings has improved from 2019 to 2020, partly due to reduced activities in the buildings as a result of lockdown restrictions. However, improved management of high-energy-intensity components of the buildings, mainly HVAC systems, has also resulted in reduced consumption, along with improved lighting systems such as motion sensors in common areas, particularly overnight.

### Grid electricity consumption

	Unit	2020	2019
Grid electricity consumed per square metre (KWh/m <sup>2</sup> /annum) in malls <sup>1</sup>	KWh/m <sup>2</sup> /annum	205	248
Change in grid electricity consumed from previous year	%	(20)	
Grid electricity consumed per square metre (KWh/m <sup>2</sup> /annum) in offices <sup>2</sup>	KWh/m <sup>2</sup> /annum	120	114
Change in grid electricity consumed from previous year	%	5	
Total spend on grid electricity <sup>3</sup>	ZAR	R258 756 633	R283 233 874
Change in grid electricity spend from previous year	%	(8.6)	

<sup>1</sup> Reduced activity at the retail centres as a result of lockdowns resulted in reduced energy usage.

<sup>2</sup> Reduced occupancy in the offices resulted in reduced energy intensity.

<sup>3</sup> Reduced activity at the retail centres resulted in reduced energy usage and cost.

## RENEWABLE ENERGY PRODUCTION

It is L2D policy that by December 2022, a minimum of 5% of the L2D portfolio's energy base-load will be met from renewable/clean energy sources. This will be achieved by a combination of onsite and offsite solar and other renewable/clean energy production, as well as purchasing Renewable Energy Credits and offsetting some of the portfolio's base-load through qualifying projects in South Africa.

To date, the installation of the 1 MWh solar PV plant at Midlands Mall, which produces enough power to run over 1 440 households per month, has reduced the mall's reliance on the electrical grid. The plant has been performing effectively and ongoing work is underway to ensure PV panels surfaces are kept clean and producing energy optimally. With the completion of the Eastgate plant, solar currently comprises 2% of the portfolio's energy base-load.

### Renewable energy production

	Unit	2020	2019
Total solar PV capacity installed	MWh	2 <sup>1</sup>	1
Solar energy produced	MWh	1 385	900
Annual savings in electricity spend as a result of solar PV installations	ZAR	1 266 000	912 521
Investment made into renewable energy initiatives	ZAR	11 252 693	12 333 839

<sup>1</sup> Increase due to Eastgate plant going live in November 2020.

# ENERGY CONTINUED

## EASTGATE SHOPPING CENTRE SOLAR PV PLANT

With their large sizes, long opening hours, cooled corridors and well-lit stores, malls require significant amounts of electricity to operate. Solar is perfect for retail spaces as they are open seven days a week and the solar curve closely matches that of energy consumption trends, leading to greater financial pay-backs and project feasibilities.

2020 saw the second solar PV plant within L2D's portfolio installed at Eastgate Mall. R23 600 000 was invested in the plant, which forms a roof over the upper-level parking area. The plant has the capacity to generate 1 851 659 kWh per annum – enough energy to reduce the mall's grid reliance by 5%.

The grid-tied PV system operates in conjunction with the municipal power supply, offsetting the bill thanks to the amount of energy the system generates. As the system's generating capability is smaller than what the mall uses, all solar plant energy is utilised.

The key to unlocking the full potential of a solar installation is to use all of its energy as and when it becomes available. The solar energy is thus fed directly into the main distribution board via smart inverters so that the entire mall benefits from the solar produced on the roof.





## CARBON FOOTPRINT

Our annual carbon footprint is reported against the GHG Protocol. GHG emissions are categorised into three scopes by the protocol. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling. Scope 3 includes all other indirect emissions that occur in L2D's value chain.

Our 2020 results were largely influenced by COVID-19 and the associated national lockdown, with the demand for electricity and water drastically reduced as a result of trading restrictions. In fact, a total of 40 641 tCO<sub>2</sub>e (21% reduction) tonnes of Scope 1, 2 and 3 carbon emissions were avoided due to reduced activities at the retail and office buildings. The total carbon avoided is equivalent to the carbon generated by powering 7 506 households for a year. With this in mind, we expect our 2021 carbon footprint to increase under normal operating conditions. However, the rebasing of 2019 data and the installation of additional common-area meters will provide greater accuracy and more valuable reporting insights in the year ahead. We have also improved our data accuracy by rebasing the 2019 dataset after consolidating purchased electricity consumed from additional installed common-area smart meters.

### Greenhouse gas emissions across the portfolio

Tonnes carbon dioxide equivalent (tCO <sub>2</sub> e)		2020	2019
Total Scope 1 emissions <sup>1</sup>	tCO <sub>2</sub> e	1 645	1 822
Percentage change in Scope 1 emission	%	(9.7)	
Total Scope 2 emissions <sup>2</sup>	tCO <sub>2</sub> e	37 623	29 745
Percentage change in Scope 2 emission	%	(26.4)	
Total Scope 3 emissions <sup>3</sup>	tCO <sub>2</sub> e	109 962	158 304
Percentage change in Scope 3 emission	%	(30.5)	
Non-Kyoto protocol fugitive emissions (R22) (21% reduction)	tCO <sub>2</sub> e	261	425
Total scope 1 and 2 emissions	tCO <sub>2</sub> e	39 268	31 567
Total scope 1, 2 and 3 emissions	tCO <sub>2</sub> e	149 230	189 871

<sup>1</sup> Direct emissions produced by the use of refrigerant gases (Kyoto Protocol) and diesel (stationary combustion).

<sup>2</sup> Emissions from total purchased electricity (tCO<sub>2</sub>e) reported according to the GHG Inventory. Rebasing of 2019 data and the installation of additional common area meters to provide more accuracy and greater reporting insights.

<sup>3</sup> Downstream leased assets, fuel and energy-related activities and waste generated in operations. Century City Office building was sold during the year and was included until July 2020

### L2D distributes 'environmental miracles'

The Spekboom (*Portulacaria afra*) is a proudly South African plant making waves in eco-conservation. The hardy plant stores solar energy via photosynthesis, attracts pollinators, is water-wise, and purifies the air. Proven to absorb more carbon dioxide in the soil than any other plant on the planet, the Spekboom is undoubtedly a wonder-plant and is a great companion when moving towards a sustainable future.

In February 2020, L2D partnered with Soil for Life and The World Wildlife Fund (WWF) to plant one hundred Spekboom plants, set up a Spekboom Pop-Up Shop, and create awareness around climate change at four local primary schools: Tafelsig Primary, Mitchell's Plain Primary, Eastville Primary and Woodville Primary.

The #SpekboomChallenge became a trend in South Africa, and L2D proudly accepted the challenge – thrilled to be able to involve school children in this great initiative.

Sandton City and Nelson Mandela Square joined in and gave customers the opportunity to claim a Spekboom if they spent R350 or more.



# ENERGY CONTINUED

CO<sub>2</sub>

CH<sub>4</sub>

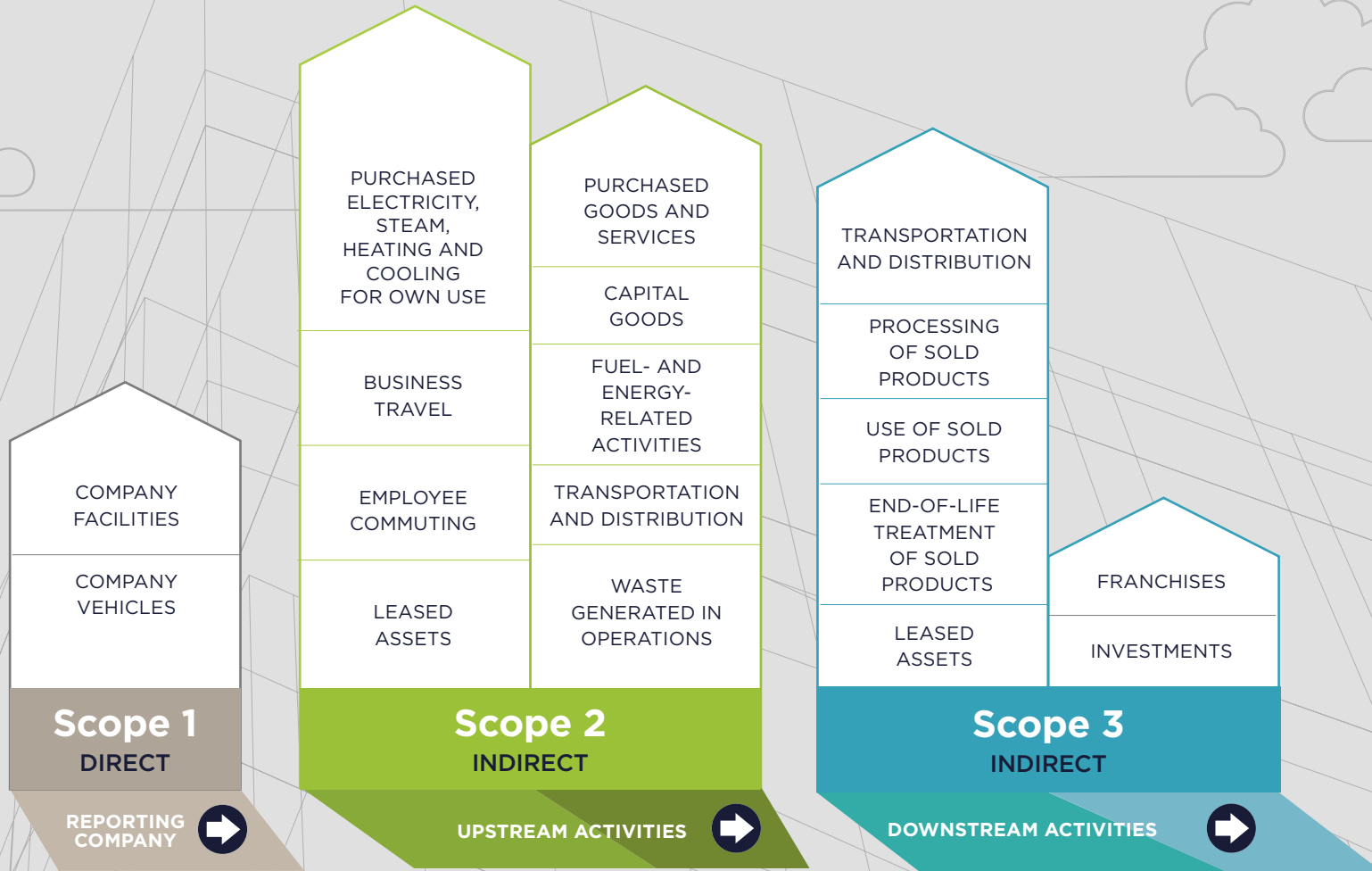
N<sub>2</sub>O

HFCs

PFCs

SF<sub>6</sub>

NF<sub>3</sub>



# WATER

## EASTGATE AQUAPONICS

In 2020, L2D supported the installation of a 300m<sup>2</sup> rooftop aquaponics farm at Eastgate Shopping Centre.

Aquaponics is a combination of aquaculture (raising fish) and hydroponics (the soil-less growing of plants). Aquaponics allows fish and plants to be grown together in one integrated system: the fish produce fertiliser that provides an organic food source for the growing plants, while the plants, in turn, act as a natural filter for the water that houses the fish.

The aquaponics farm uses 90% less water than a traditional garden. Water and nutrients are recycled in a closed-loop fashion that conserves water. It also uses no harmful fertilisers or pesticides and eliminates the harm caused by excess chemicals that run off into water sources.



The farm is operational and producing fresh vegetables and fish that are sold onsite, thereby reducing the miles from source to consumer, the need for transportation and resulting greenhouse gas emissions.

South Africa is a water-fragile country, and conventional farming methods are costly and prohibitive to entry, while aquaponics provides a more sustainable route. The farm has also become a hub for community education on alternative farming methods and has developed as a replicable model that has the potential to create local employment.

The Eastgate Shopping Centre aquaponics farm has created a premium go-to experience by showcasing the future of food production, which is sustainable, organic and educational.

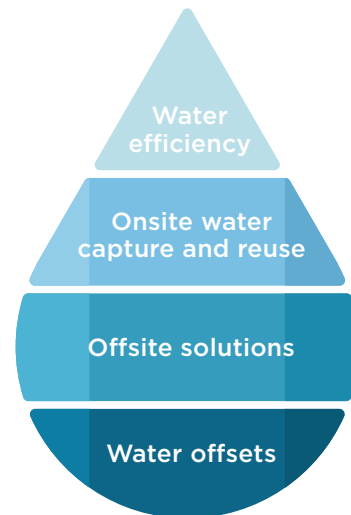
# WATER CONTINUED



Reducing potable water use in buildings for urinals, toilets, showerheads, and wash-hand basins decreases the total amount withdrawn from rivers, streams, underground aquifers, and other water bodies, which is particularly important in a water-stressed country such as South Africa. These strategies protect the natural water cycle and save water resources for future generations. Furthermore, reductions in water consumption decrease building operating costs and bring about wider economic benefits.

In line with our ambition of mitigating our negative environmental impacts, we are targeting Net-zero water status across our portfolio by the end of 2025, in line with the Green Building Council of South Africa's Net-Zero/Net-Positive Certifications scheme.

Preferred pathways followed by L2D to achieve Net-zero Water



## WATER CONSUMPTION AND REDUCTION

In terms of L2D policy, the targets established in 2018 required that by 30 September 2020, total water usage of all water sources should have been 10% lower than the established baseline. This target was actively pursued and measured and the results presented in the table below indicate that these targets were met. However, the reduction in water usage was partly due to reduced demand as a result of COVID-19.

L2D has saved 216 million litres of water in the last year across the portfolio. This has been achieved by implementing rainwater harvesting systems and dual plumbing at Liberty Promenade and Liberty Midlands Mall, condensation water harvesting and advanced low-flow toilets at Sandton City and Nelson Mandela Square and through continued water resilience planning. We also increased the HVAC set-point temperature at certain properties to save water evaporating through the cooling towers.

Water-saving initiatives have been actively implemented across the L2D portfolio through various interventions, including upgrading water fixtures and fittings to reduce water consumption in public bathrooms. Real-time leak detection is also assisting in decreasing water consumption, along with the reduced number of occupants in our buildings during the year due to remote working.

A rainwater harvesting system has been installed at Midlands Mall and a total of 6 528 kℓ have been collected since inception in 2019. A total of 3 762 kℓ was supplied into the mall as non-potable water in 2020

We are currently investigating greywater system opportunities for Botshabelo Mall, Sandton City and Eastgate Shopping Centre.

Furthermore, investigations are underway to implement onsite wastewater treatment solutions at our retail centres, with the aim of recovering high-quality greywater to replace potable water used for flushing common-area toilets.

### Total water consumption

	Unit	2020	2019
Total water consumption	kℓ	578 907	794 480
Percentage municipal water	%	99.4	100
Total rainwater harvested	kℓ	3 762	0
Rainwater harvested as a percentage of the total water consumption	%	0.6	0.00

## Water intensity

	Unit	2020	2019
Average water consumed per square metre	kℓ/m <sup>2</sup> /annum	0.82 <sup>1</sup>	1.16
Change in water use from previous year	%	(28.7)	
Total spend on water	Rand	31 317 130 <sup>2</sup>	35 092 629
Change in water spend from previous year	%	(10.8)	

<sup>1</sup> Reduced activity at the retail centres resulted in reduced water consumption.

<sup>2</sup> Reduced activity at the retail centres resulted in reduced water consumption and cost.

## Water discharge

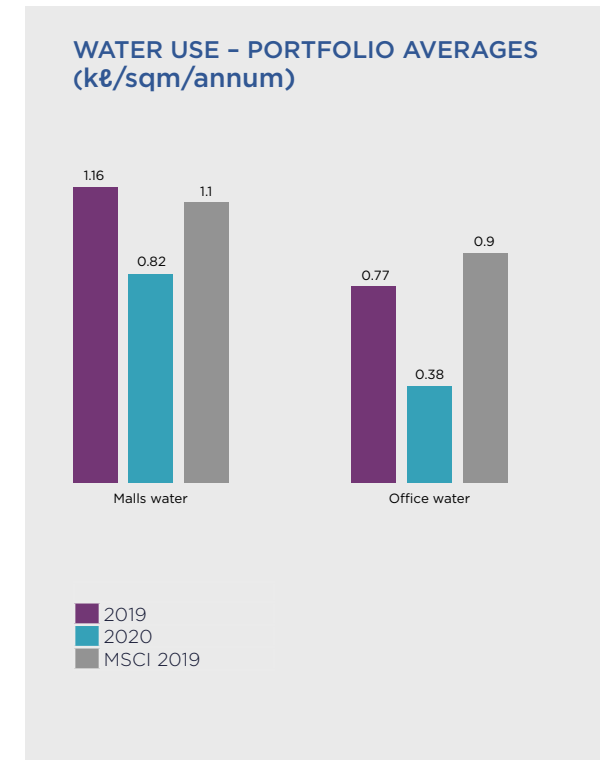
	Unit	2020	2019
Total wastewater discharged	kℓ	570 603 <sup>1</sup>	787 396
Percentage of wastewater sent to municipal sewers	%	100	100
Percentage of wastewater discharge reduction	%	(27.5)	-

<sup>1</sup> Reduced activities at the retail centres resulted in a decrease in waste water discharge.

## CONTINUOUS WATER PERFORMANCE ASSESSMENT AND DISCLOSURE

We have installed smart water meters at all retail and office facilities throughout the portfolio to support a comprehensive water metering system (implemented at half-hourly intervals), which is regularly audited and verified. Water balancing is carried out at least monthly via the automated metering and reporting platform, with warnings raised when consumption anomalies are detected.

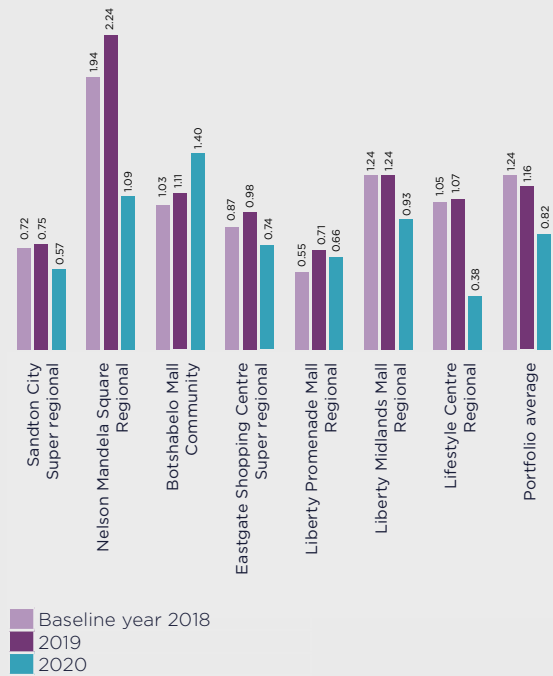
All properties owned and controlled by L2D are benchmarked monthly relative to our 2018 baseline, to global and local benchmarks and within the portfolio and reported to the Chief Executive and Chief Operations Officer, executive committee and the Board. In addition, the energy, water and waste performance of all properties are reported through an online analytics platform. Such information is disclosed internally and annually via the integrated and ESG reporting process.



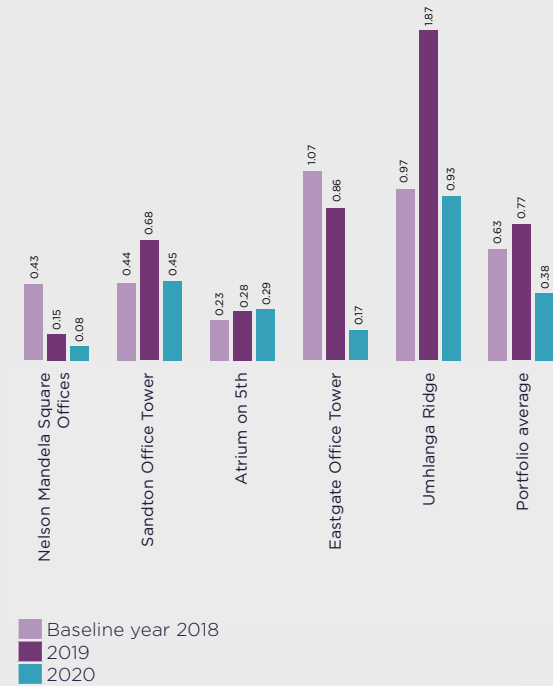


# WATER CONTINUED

### WATER PERFORMANCE IN MALLS: 2018 - 2020 (kℓ/m<sup>2</sup>/annum)



### WATER PERFORMANCE IN OFFICES: 2018 - 2020 (kℓ/m<sup>2</sup>/annum)





# WASTE



Our ambition is to achieve Net-zero Waste across the portfolio. Although the total waste generated by weight in 2020 decreased due to COVID-19 impacts, our recycling rate increased by 5%. This is the result of continuously improving management practices at all the properties, and thus increasing diversion of waste from landfill.

## WASTE MINIMISATION AND REDUCTION

In line with L2D property operations requirements and all relevant legislation and by-laws, a waste reduction and recycling programme was implemented across the L2D portfolio in 2019 that addresses the entire waste and materials stream leaving L2D properties and under L2D control.

Waste minimisation and reduction plans have been developed and implemented at each asset for all waste generated during normal business operations. To facilitate this, L2D conducted a comprehensive audit and classification of categories to identify opportunities to implement interventions and diversion strategies. Food, paper, and other organic materials make up a significant portion of the portfolio's waste stream.

2 440 tonnes were recycled including the organic waste of 170 tonnes. This is achieved through innovative technologies implemented at our properties, including waste composters, recycling hubs and recycling units.

Behavioural change has significant potential as a driver of reduction activities. In November 2020, we concluded a two-month trial period for separation at source by tenants at Midlands Mall, the results of which will be analysed and lessons applied as appropriate across the portfolio.

L2D has implemented a Plastic-free Policy across our portfolio to combat plastic pollution. This forms part of our commitment as a supporting member of the SA Plastics Pact. The SA Plastics Pact is the first Plastics Pact on the African continent and it joins the Ellen MacArthur Foundation's global Plastics Pact network. L2D is the first participating landlord, committing to work towards a shared vision for a circular economy for plastics. In January 2020, we implemented a campaign across all our malls to encourage tenants to eliminate the sale of single-use plastic bags.

A separate marketing campaign was conducted to educate customers around the use of plastics and encourage them to purchase and use reusable shopping bags. A step-change in consumer behaviour is becoming more evident as more people start opting out of the excessive use of plastic. To further encourage behaviour change, we are also developing a tenant training programme concerning management best practices.

We have instituted various educational programmes across the portfolio. These include our #BeTheChange campaign aimed at educating, inspiring and appealing to all stakeholders to change and join the movement to adopting climate-positive practices in their everyday lives, the Recycle Rangers initiative that teaches children the importance of recycling, providing an opportunity to learn how to reuse and repurpose their clothes and create art from recycled material, and World Turtle Day where our mascot, Tala the Turtle, encouraged the general public to be the change and take control in making a difference in the world we live in by ensuring that waste does not make its way to our oceans.

## OUR IMPACT

From October 2019 to December 2020, the four reverse vending machines at Sandton City:

Recycled  
**57 699** items



weighing a total  
of **2.2 tonnes**



comprising **1 tonne**  
of PET, **885 kgs** of glass,  
and **189 kgs** aluminium



and returned  
**R5 600** in  
value to users

# WASTE CONTINUED

## SANDTON'S REVERSE VENDING MACHINES

Over the course of 2020, customers at Sandton City visited four vending machines nearly 30 000 times. But these vending machines were somewhat out of the ordinary – instead of distributing food items for cash, they accepted items from customers and returned vouchers.

### How it works

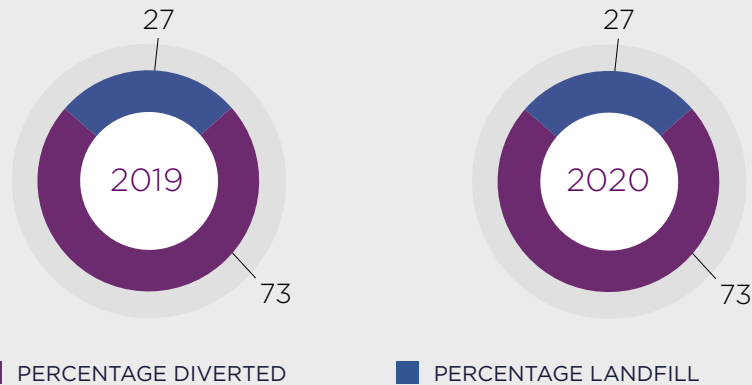
Shoppers take plastic bottles or empty soda cans to the machines. These machines scan the barcode and then swallow the bottle or can. Shoppers input their cell numbers by following the on-screen directions and are awarded points based on the materials they return. They are sent an SMS and encouraged to download the app, allowing them to convert the points into vouchers for parking, airtime and other rewards.

Reverse vending machines, as they are known, offer a convenient solution to recover waste packaging sold and active in the market, a platform to reward consumer behaviour based on circular principles, and a valuable educational tool for consumers looking to adopt more sustainable and climate-positive behaviours.

The machines are a neat adjunct to the state-of-the-art recycling and waste management facilities at Sandton and other L2D malls that play a significant role in achieving our commitment to Net-zero Waste to Landfill by the end of 2021.



## WASTE DIVERSION - VOLUME



## Total waste generated by weight

	Unit	2020	2019
Total waste generated	tonnes	5 212 <sup>1</sup>	7 415
Percentage of recycled/composted	%	46.8	41.9
Percentage of landfill disposal	%	53.2	58.1

<sup>1</sup> Reduced activity at the retail centres in 2020 has been a key driver in waste output reduction.

## Total waste generated by volume

	Unit	2020	2019
Total waste generated - volume	m <sup>3</sup>	54 297	67 397
Total waste diverted - volume	m <sup>3</sup>	39 508	49 421
Total waste disposal	m <sup>3</sup>	14 789	17 976
Percentage of recycled/composted	%	73	73
Percentage of landfill disposal	%	27	27

We are recycling the same type of waste streams every year regardless of the quantities produced.

## Non-hazardous solid waste composition

	Tonnes	2020	2019
Paper <sup>1</sup>		1 392	1 828
Plastic <sup>2</sup>		186	237
Glass <sup>3</sup>		196	-
Metal <sup>4</sup>		22	25
Organic waste <sup>5</sup>		170	156
Tetra Pak <sup>6</sup>		7	7
Mixed waste <sup>7</sup>		1 203	1 975

<sup>1</sup> Total paper output is comprised of 80% paper cardboard, which is diverted to recycling.

<sup>2</sup> Plastics comprise PET, HDPE, Polyprop and plastic film, which are diverted to recycling facilities.

<sup>3</sup> Glass waste is diverted for recycling.

<sup>4</sup> Beverage and food can waste is diverted for recycling.

<sup>5</sup> Food, contaminated cardboard and other organics make up the bulk of the organic waste generated across the portfolio.

<sup>6</sup> Beverage cartons are diverted for recycling.

<sup>7</sup> Mixed waste comprises recyclables that require further sorting before disposal.

Through diverting much of the organic waste from landfill to our onsite composting facilities at our Sandton City and Eastgate sites in 2020, we generated over 139 tonnes of compost. A composting facility will be installed at Midlands Mall in 2021.

Furthermore, cost-effective offsite organic waste diversion solutions for Promenade Shopping Centre and Botshabelo Mall are being secured and will be put in place during 2021. The process of securing a service provider to assist in ensuring that L2D's Net-zero Waste Target is achieved is also underway and on track for completion during 2021.

## Organic waste diversion

	Unit	2020	2019
Total compost generated <sup>1</sup>	tonnes	170	133
Total landfill space avoided	m <sup>3</sup>	394	379
Total carbon emission avoided	tonnes	292	281

<sup>1</sup> Total compost generated by the In-Vessel-Composters installed onsite at Eastgate and Sandton City.

# GREEN BUILDINGS

L2D acknowledges the impact of our buildings on the people who use them, the environment and other stakeholders, including surrounding communities. We see green buildings as an opportunity to use our resources more efficiently and address climate change while creating healthier and more productive environments for people and communities.

As a founding member of the Green Building Council of South Africa (GBCSA), L2D resonates with the values of the organisation to inspire a built environment in which people and planet thrive. L2D's Asset Management Executive, Brian Unsted, is the Deputy Chairman of the GBCSA effective 28 October 2020.

The GBCSA has developed rating tools that recognise and reward environmental leadership and provide a valued symbol of sustainability achievement. The rating systems and tools create a common language and standard of measurement for green buildings, promoting integrated, whole-building design and buildings during their operations.

## A FIRST FOR THE INDUSTRY

In early 2021, L2D's entire retail portfolio achieved Green Star Existing Building Certification by the GBCSA, with Sandton City receiving a world-leading 6-Star Green-Star rating. This is a first for the South African property industry. Eastgate Complex, Nelson Mandela Square, Promenade Shopping Centre and Midlands Mall received 5-star ratings and Botshabelo Mall achieved a 4-star rating.



## THE SIX-STAR GREEN-STAR SANDTON CITY PRECINCT

The Sandton City precinct uses a multi-million-rand in-house waste composter that can process 40 tonnes of waste each month, significantly reducing food waste going to landfill.

Each year, approximately seven billion kilograms of plastic makes its way into our oceans, killing marine life. Sandton City, aligned with L2D's Plastic-free Policy, implemented a campaign to encourage tenants to eliminate the sale of single-use plastic bags.

The precinct has replaced internal and external lighting with energy-saving LED light fittings, and ten escalators have been replaced in the last two years with new units that have slow-speed modes to conserve energy.

All air-handling units onsite are controlled by an intelligent building management system, and all air-handling unit fans operate on state-of-the-art variable speed drive systems.

All of this leads to significantly less energy usage and reduced demand from power plants, ultimately decreasing greenhouse gas emissions.



Using insight to  
create **sustainable**  
**opportunity**

# GREEN BUILDINGS CONTINUED

## HOW DOES GREEN STAR EXISTING BUILDING PERFORMANCE (EBP) WORK?

To assess and rate a building's ongoing environmental performance, the Green Star EBP tool awards points across nine impact categories. Each impact category comprises credits that address specific green building aspects and actions, and each credit, in turn, is worth one or more points.

Projects that embark on the EBP journey must continue over a 12-month performance period and comply with requirements established in the Green Star EBP Technical Manual. Ratings – from 1-Star (On the Journey to a Better, Greener Building) to 6-Star (World Leadership) – are awarded according to the number of points achieved during the rating process.

The impact categories that are assessed for a rating are as illustrated in the following table.



### Management

The management category credits promote the adoption of environmental principles throughout operations and speak to, amongst other criteria, building management and operations, green cleaning, energy and water metering and tenant engagement through green leases and other activities.



### Transport

The transport category rewards projects for assessing building occupant and visitor commute and travel patterns to the project building. On the back of understanding such patterns, a Green Travel Plan must be compiled that specifically targets the reduction in automotive commuting while encouraging the use of alternative transport.



### Indoor environment quality (IEQ)

Each of the IEQ category credits targets the wellbeing of occupants by facilitating a healthy indoor environment. The credits are concerned with understanding, addressing and managing indoor environmental quality aspects within a building, such as indoor air quality, thermal comfort, artificial lighting, daylight and acoustics and, significantly, also taking into account occupants' comfort.



### Water

Like the energy category, the water category focuses on assessing a building's water-usage intensity over 12 months relative to external or internal benchmarks, where points are awarded based on improved performance relative to such benchmarks.



### Energy

The principal focus of the credits within this category is on assessing building energy performance over a 12-month period relative to external or internal benchmarks. Points are achieved by demonstrating clear improvements relative to such benchmarks.



### Materials

Credits in the materials category reward projects for demonstrating sustainable procurement practices on the one hand and sustainable waste management practices on the other, both of which are embedded in policies. Key to waste management is the ongoing tracking of how much waste is diverted from landfill over a minimum of 12 months and developing comprehensive operational waste management plans designed to minimise waste going to landfill.



## Land use and ecology

Sustainable landscape, hardscape and integrated pest-management practices are critical to this category, which rewards projects for developing and implementing plans that ensure that the project sites are managed sustainably and improve the building's impact on ecological systems and biodiversity.



## Emissions

Credits within this category tackle climate-critical emissions associated with refrigerants and reward projects that actively manage risks associated with *legionella* and sustainably manage stormwater onsite.



## Innovation

The innovation category encourages, recognises and rewards the development of innovative technologies, designs, and processes that impact a building's overall environmental performance.

## BIODIVERSITY

L2D's landscape management plans, which apply to all properties in the portfolio, aim to adopt best practice in landscape management to protect the environment and public health, conserve natural resources, reduce impacts of invasive species on the natural environment and improve biodiversity and endemic plant species protection. Plants are regularly checked for signs of disease, infestations, and other conditions that may lead to plant death or deterioration, invasive species are managed, and indigenous species are planted and nurtured.

L2D's pest-management plan is designed to minimise the impact of site management practices on local ecosystems and reduce their exposure to potentially harmful contaminants. Integrated methods that make use of monitoring and non-toxic preventative measures are used to proactively manage pest issues where possible, and least-toxic pest-control options are employed when necessary.

## THE ENVIRONMENTAL IMPACT OF OUR SUPPLIERS

To encourage, support and facilitate the purchase and use of products, materials and services that minimise the harmful effects on the environment from their production, transportation, use and disposal, a sustainable Procurement and Purchasing Policy has been put in place across L2D and its property management agent to govern the purchase of ongoing consumables, durable goods and other materials.

L2D records and tracks procurement purchases and gives preference to products that do not contain any harmful ingredients or use environmentally unsound or hazardous materials.

L2D would like to reduce waste generated through daily operations and recognises that such reduction begins with the materials that enter our facilities. Accordingly, L2D endeavours to minimise packaging material on items packaged and delivered to various operations.



# GREEN BUILDINGS CONTINUED







## MIDLANDS LIFESTYLE CENTRE HATCHERIES PARK REJUVENATION

In 2018, the Liberty Midlands Mall Lifestyle development in Pietermaritzburg was completed. In the process, the total retail component of Liberty Midlands Mall grew to a gross lettable area of 78 000 m<sup>2</sup> from 56 000 m<sup>2</sup>. The R445 million expansion introduced retail and leisure space of almost 22 000 m<sup>2</sup> and, with additional bays added, increased parking space to accommodate over 3 000 vehicles.

### Mindfulness around environmental risk

The expansion project took place within the guidelines suggested by an early environmental impact assessment and an evaluation of the completed project's environmental risks. In particular, previous flood line studies had indicated that the area might be at risk of so-called "1-in-100 year" and "1-in-50 year" floods. These studies were updated before construction commenced and precipitated a major water-management project to protect the mall and stakeholders from flooding. This project involved the redesign of stormwater drainage systems and the construction of a culvert to discharge flows from the catchment upstream of the highway.

### Hatcheries Park rejuvenation

The development also involved the rejuvenation of the nearby Hatcheries Park, so-called because of nearby trout hatcheries established there in the early 20th century. The park was well used by local communities but had become bare and degraded over the years.

The landscaping and rejuvenation process saw the park replanted with indigenous grasses, trees, bushes and flowers, and walkways and seating areas constructed.

### Stakeholder engagement

Engagement with the local community around the park rehabilitation and the mall expansion was active, frequent, and occasionally sensitive. The areas adjoining the mall are well used by locals for recreation and as a pedestrian transit route, and it was important not only to get community buy-in but to cater to local needs and concerns. Following extensive engagements, the community came out in support of the rehabilitation project.

In total, the Liberty Midlands Mall Lifestyle development resulted in the creation of 620 jobs during construction, and 209 permanent jobs were created.

The Hatcheries Park was revitalised, boasting indigenous trees and grasses, which now frame walkways and benches. The community has reported that they are appreciative to have the area restored to a high standard.

### The battle against invasive species

In line with our commitment to responsible development, part of the work undertaken was the rehabilitation of adjacent wilderness areas on the Eastern side of the property, consisting of 14 hectares on the opposite side of the Town Bush River, to make these areas more attractive to residents, foster healthier habitats and biodiversity, and reclaim them from invasive plant species.

The rehabilitation process took 18 months and involved clearing invasive alien plant species while marking indigenous species for preservation, landscaping, and monitoring. Anecdotal reports have been sent of residents spotting mammals, including duiker and a bushpig.

The Liberty Midlands Mall falls under the Ferncliffe Catchment Conservancy, which encompasses Town Bush Valley and the Town Bush Stream, as well as Chase Valley and the Chase Valley Spruit. The conservancy includes patches of indigenous forest, commercial plantations, undisturbed grassland, riverine systems, and residential land and extends over some 2 900 hectares. The Ferncliffe Nature Reserve was declared a Site of Conservation Significance in Natal in 1993.

The conservancy administrator's priority has, for many years, been the fight against invasive species, which include lantana, cat's claw, black wattle, and syringa. Riparian zones, including wetlands, are degraded by the invasion of alien plants, which ruin habitats for fauna such as birds, butterflies, and small mammals.

The Ferncliffe Catchment Conservancy runs regular "Adopt-a-Stream" and invasive vegetation eradication activities. Still, invasive species pose a constant threat in the area, and the area's ongoing maintenance is necessary.

L2D continues to provide for this vegetative maintenance and conducts regular stakeholder engagement to ensure that the mall areas remain healthy, biodiverse, and well used.

# SOCIAL IMPACT

Supporting sustainable and inclusive economic growth within the communities in which we operate is imperative for our business. We are committed to actively serving, investing in, and supporting our communities while recognising the larger stewardship role that our organisation must play.

2020 showed clearly the networks of independence and mutual benefit and risk entrenched within our stakeholder relationships. L2D is part of a greater socioeconomic ecosystem and we recognise that we are dependent on robust relationships with all our stakeholders. We appreciate the critical roles they play and remain committed to nurturing impactful, mutually beneficial relationships that combine to create sustainable value.

## OVERVIEW

Awarded **COVID-19 compliant ratings for** all our malls by the SAFE Asset Group

We introduced touchless parking at Sandton City, Eastgate Shopping Centre and Midlands Mall with 50% of the parking income raised **(R360 500)** donated to the **OnePeople Fund**



**Successfully transitioned to remote working**

**Extensive communication campaigns** to promote physical distancing, wearing of masks and hand sanitising and washing

Carried out a **#FutureWork survey**

Our **Inclusivity, Diversity and Employment Equity** forum meets quarterly to help drive our transformation ambitions throughout the organisation





## SANDTON CITY



## LIBERTY MIDLANDS MALL






# STAKEHOLDER MANAGEMENT

L2D is part of a greater socioeconomic ecosystem and we recognise that we are dependent on robust relationships with all our stakeholders. We appreciate the critical roles they play and remain committed to nurturing impactful, mutually beneficial relationships that combine to create sustainable value.

Stakeholder engagement is a critical, continuous process that helps assess the risks facing the business and determine the material matters that inform our strategy. Our various methods of engagement take place at all levels of the business. By addressing the outcomes of these engagements, we enhance our ability to create sustainable value for our stakeholders. With this in mind, we actively seek to engage our stakeholders across all available channels while ensuring that our communications remain accurate, transparent, timely and appropriate to their varying needs. In their decision-making process, the Board and executive management remain cognisant of the legitimate interests and expectations of all our stakeholders.

The following table sets out our various stakeholder groups, how we engage with them and the outcomes that result from our interactions. The scale below represents our internal assessment of the quality of our relationships based on engagements carried out throughout the year.

STAKEHOLDER	METHODS OF ENGAGEMENT	RELATIONSHIP
 <p><b>Provider of financial capital</b></p> <p>Investors, debt funders, analysts and potential investors are a vital source of capital and a crucial element for the long-term sustainability of our business. The feedback we receive from our engagement with these stakeholders informs our management and reporting practices.</p>	<ul style="list-style-type: none"> <li>We engage throughout the year, with financial and operational performance and strategic outlook as the main focus of conversation. The engagements are subject to the bi-annual closed period, where the level of information disclosed is limited to the Company's ability to share certain information, given regulatory requirements.</li> <li>Engagements are conducted on a one-on-one basis and in presentations.</li> <li>Our management team has regular engagement with representatives from our lenders and enjoys a good relationship with debt providers.</li> </ul>	Good Relationship
 <p><b>Our people</b></p> <p>We rely on our people to execute our strategy - they are the heart of the business. The core focus of our human capital strategy is on encouraging inspired, passionate and empowered people through our people practices. These align individual performance outcomes to the overall business strategy and reward and recognise performance.</p>	<ul style="list-style-type: none"> <li>Engagement surveys, including a 360 degree-leadership survey, #FutureWork ongoing surveys, weekly, Chief Executive Friday Voice Notes.</li> <li>Regular engagements, both one-on-one and team conversations, regular performance review conversations and workshops.</li> <li>Annual strategy engagement and alignment sessions.</li> <li>Quarterly people forum, allowing for thinking time and conversation covering talent management, learning and development, transformation, our people plan and trends.</li> <li>During the year, we did not furlough or retrench any employees.</li> </ul>	Good relationship
 <p><b>Tenants</b></p> <p>We understand the importance of pre-empting and satisfying tenant needs in order to remain their landlord of choice.</p>	<ul style="list-style-type: none"> <li>We regularly evaluate the administration management function between our property manager JHIR and our tenants to ensure that our tenants are effectively serviced.</li> <li>Tenant engagement was ongoing throughout the year.</li> <li>We have monthly owners' meetings to track the performance of each asset.</li> <li>We created a rental relief committee which meets weekly to discuss how best to support our tenants while ensuring business sustainability.</li> </ul>	Good relationship with room for improvement



## OUTCOMES OF ENGAGEMENT

L2D has continued its approach of regular, transparent and proactive engagement with its shareholder base. In addition to the mandatory interim and annual results announcements, management remains available for communication with shareholders. Bi-annual operational updates are provided. Due to COVID-19 restrictions, the hosting of site visits did not occur. A virtual Investor Thought Leadership day was held on 28 October 2020 and featured a presentation on retail trends by an international expert.

Our investor relations team as well as the Chief Executive and Financial Director have regular engagements with the analysts, which included virtual meetings to discuss sector and industry trends.

The remuneration policy has been updated to address investor concerns. This policy will be presented at the Annual General Meeting (AGM) in May 2021.

We remained close to our people during the transition to a work-from-home environment and the subsequent normalisation of this way of working. Our #FutureWork survey helped to plan the way forward as are the ongoing surveys around the new hybrid-office guidelines.

Tenants have been engaged throughout the year due to the COVID-19 pandemic and as part of the rental relief negotiations. Furthermore, L2D has monthly owners' meetings for each asset, where asset managers track and report each asset's performance. Quarterly operations meetings are held with JHIR. In these meetings JHIR reports on their KPIs, which are used to evaluate their performance.

Management has initiated engagements with Retailability (the new owners of specific Edgars stores) and the Foschini Group (the new owners of selected Jet Stores). L2D formed part of the Property Industry Group (PI Group) which engaged retailers in a unified approach on the commercial assistance that could be provided to tenants during the lockdown period and other practical measures the broader property industry could provide at the time. The proposals formulated by the PI Group served as non-binding guidelines and were ultimately superseded by bilateral agreements between specific tenants and landlords.

## VALUE CREATION

32.33cps  
FULL-YEAR DISTRIBUTION

TOTAL  
R294 million  
DISTRIBUTED

R69.8 million  
INCURRED EMPLOYEES COSTS  
(2019: R69.9 million)




- Leadership team strengthened
- Key roles filled
- Progress made towards meeting employment equity target

-22%  
ANNUAL TURNOVER GROWTH  
(2019: 2%)

4.7%  
RETAIL VACANCY  
(2019: 2.3%)

Enhanced safety

# STAKEHOLDER MANAGEMENT CONTINUED

STAKEHOLDER	METHODS OF ENGAGEMENT	RELATIONSHIP
<p><b>Customers</b></p>  <p>While shoppers are our most important customers, they have a direct impact on the performance and quality of the tenants that rent space within our portfolio. Therefore, customer satisfaction is important to ensure a sustainable rental income stream.</p>	<ul style="list-style-type: none"> <li>• We engage with customers through market research, including; focus groups, tenant engagements, as well as social media feedback, newsletters, mystery shopper and information kiosk personnel.</li> <li>• As part of the drive to help restart the economy, and rebuild tomorrow for South Africans by paying it forward, L2D has launched an impact campaign called #CreateTomorrow, across its iconic retail portfolio.</li> <li>• The communities served by the nationwide shopping centres are at the very heart of the #CreateTomorrow campaign and it serves to support them through enriching and impactful Initiatives.</li> </ul>	<p>Good-quality relationship</p>
<p><b>Suppliers and service providers</b></p>  <p>We depend on a few key suppliers. These include utility providers such as Eskom and local municipalities. JHIR is our property manager, contracted to assist in managing the operations at our various properties. The interaction between this supplier and customers is significant and underpins the importance of having transparent communication channels.</p>	<ul style="list-style-type: none"> <li>• Our property managers hold weekly meetings with operational service providers (these include cleaning and security) and monthly meetings with technical service providers. Meetings also take place as an when required.</li> </ul>	<p>Good-quality relationship</p>
<p><b>Communities</b></p>  <p>We strive to be a responsible corporate citizen and aim to engage and support the communities in which we operate in a responsible, sustainable, constructive and empowering manner.</p>	<ul style="list-style-type: none"> <li>• We continue to focus on maintaining effective relationships with members of communities.</li> <li>• Measurable corporate citizenship programmes are developed and implemented across our property portfolio.</li> </ul>	<p>Good-quality relationship</p>



## OUTCOMES OF ENGAGEMENT

L2D continues to receive daily Market IQ updates providing a consolidation of all news related to L2D and our assets. This serves as a valuable tool in reputation management.

We have appointed a marketing company to monitor and respond to social media engagements with our customers, as well as any centre-specific media queries that are first reviewed by L2D. We conduct market research every two to three years at our centres. Sandton City will be carrying out market research as part of the master planning exercise.

As part of the SMART SPACES building block, we have deployed a cloud-based data lake that is hosted on Amazon Web Services (AWS). We are in the process of ingesting relevant data onto the data lake and have started developing dashboards to provide us with operational insights.

We track the number of customers that visit our malls. COVID-19 has impacted the numbers that are frequenting our malls however as the lockdown levels have eased the people have rapidly returned to our environments. L2D are investing in their technology in 2021 by installing artificial intelligence camera. These cameras will enable us to get greater insights in our customers through advanced data analytics and will also assist with the safety of our shoppers.

To support our Safe Spaces goals, we installed touchless parking at our malls, as well as decals to support COVID-19 measures. We also made sanitisers available where necessary, ensured the fogging of toilets and management offices, and instituted kerb-side pick-ups.

Service providers are appointed in line with L2D's Procurement Policy. The standard of performance is monitored by our property manager JHIR and issues are addressed at the monthly owners' meetings, which L2D's asset managers attend. A new Procurement Policy that includes sustainability requirements was approved. JHIR are responsible for implementing the policy for procurement activities in respect of the portfolio.

All service providers and suppliers were paid in full during the periods of the lockdown and paid within 30 days of being invoiced, where possible in line with the Business Leadership of South Africa's (BLSA) #Payin30 campaign.

We have achieved full compliance with all relevant South African laws and regulatory requirements, including tax, occupational health and safety, employment equity and skills development. We have made great efforts to combat fraud and corruption. No fraud cases have been reported against L2D.

## VALUE CREATION

**R81 million**  
INVESTED IN IMPROVING  
OUR CENTRES  
(2019: R104 million)

- New tenant offerings
- Curating experiences
- Enhanced safety

**R648 million**  
PAID TO SUPPLIERS  
AND SERVICE PROVIDERS  
(2019: R736 million)

WE HAVE INVESTED  
**R1.6 million**  
IN SOCIAL INITIATIVES  
(2019: R1.9 MILLION)  
**R360 500** (PARKING INCOME)  
AND  
**R150 000** TOWARDS MEALS  
TO THE ONEPEOPLE FUND

# PROTECTING OUR STAKEHOLDERS

Since COVID-19 began impacting our business in March 2020, we have responded quickly to ensure our stakeholders are supported and the resilience of the business is maintained.



## ORGANISING OUR RESPONSE

L2D took extraordinary measures in response to the wide-reaching impacts of COVID-19. We established a crisis leadership team, updated and implemented disaster recovery plans, introduced work-from-home protocols, executed business continuity measures, conducted additional Board, Audit and Risk Committee and management meetings, joined industry oversight bodies and collaborated on rental relief measures, set up a specific task team to deal with tenant negotiations, re-allocated resources to deal with liquidity, redirected the internal audit plan, implemented additional health and safety measures and generally increased awareness at all levels of the business.



## OUR CUSTOMERS

Protecting our customers, tenants and visitors to our environments remains a top priority. L2D was the first mall owner in South Africa to receive international COVID-19 certification for our entire portfolio from the SAFE Asset Group. This achievement was made possible through the pursuit of various proactive safety initiatives, including:

- Opening parking booms initially, then providing touchless payment solutions
- Providing additional outdoor spaces for restaurant tenants to assist with trade in a socially distant manner
- Ensuring extensive communication campaigns
- Instituting kerb-side pick-ups and making click-and-collect facilities available

READ MORE 44 and 45





## OUR PEOPLE

The health and wellbeing of our people is a top priority. All of our office-based employees were encouraged to work from home where possible and we continue to offer support and the necessary training to those who work in our assets. Employees in the physical environment employed by our property manager worked from home on a rotational basis.

[READ MORE](#) 42 and 43, 48 to 53



## OUR TENANTS

Rental relief and support have been provided to our tenants in line with our philosophy to respond with empathy in dealing with tenant impact, while balancing the need to protect the sustainability of our business in the interests of our stakeholders.

At year-end, rental relief was granted to 93.4% of our tenants, allocated on a needs-driven pragmatic basis that resulted in most of the benefit being allocated to small and medium enterprises. Total relief granted in the portfolio exceeded R300 million, of which L2D's effective share was R112 million. Despite these actions, a higher than normal business failure rate has emerged, resulting in an increase in retail vacancies across the portfolio.

L2D formed part of the Property Industry Group, which engaged retailers in a unified approach regarding the commercial assistance that could be granted to tenants during the lockdown period and other practical measures the broader property industry could provide at the time. The proposals formulated by the Property Industry Group served as non-binding guidelines and were ultimately superseded by bilateral agreements between specific tenants and landlords.

[READ MORE](#) 42 and 43



## OUR COMMUNITIES

We reaffirm our commitment to position the business for the expected step change towards rebuilding for growth – not only for our business but for our broader stakeholders. During the year, we contributed R1.6 million towards initiatives that supported our communities through the crisis.

[READ MORE](#) 44 and 45, 54 and 55



## SUPPLIERS AND SERVICE PROVIDERS

We see our suppliers and service providers as a critical part of our team and have thus sought to engage with them to ensure beneficial outcomes while supporting our partners through the period. The crisis is longer and may interpret a longer-term commitment. All service providers and suppliers were paid in full and paid within 30 days of being invoiced, wherever possible.

[READ MORE](#) 44 and 45, 54



## OUR FINANCIAL POSITION

L2D has an intentionally conservative capital structure and sufficient balance sheet capacity and remains well positioned to firstly protect and stabilise our current operations and then to rebuild for growth.



## OUR COVID-19 RESPONSE

In a challenging context, we have strived to put the needs of stakeholders first by prioritising efforts to safeguard their health and well-being, while supporting the sustainability of our business.

# INSPIRING PASSIONATE PEOPLE

Our philosophy is to put our people at the heart of everything we do and encourage inspired, passionate and empowered people who maintain balanced lives.

Our focus is on delivering results while challenging each person to take ownership of their performance, learning and growth. We encourage our people to make a meaningful and productive contribution and build their capabilities while leading from wherever they are. Our people practices are geared towards supporting this culture and achieving outcomes aligned with our overall strategy. We strive to keep our values of passion, accountability, care and excellence core to the way in which we work together.

## OUR EMPLOYEE PROFILE

Ensuring we have the right people is critical to the execution of our strategy.

TOTAL PERMANENT EMPLOYEES <sup>1</sup>	PERCENTAGE AIC	PERCENTAGE FEMALE	AVERAGE AGE
34	65%	71%	38

## OUR PEOPLE PLAN

Having a people plan aligned with our overall purpose and strategy has been a key focus over the year.

Encourage inspired, passionate and empowered people that maintain a balanced life



<sup>1</sup> Excludes outsourced employees in JHIR

## Growing and evolving

Growing capabilities through ongoing learning and development, ensuring talent retention and leadership excellence

## Learning and development

**27 online learning** courses accessed by employees

**R999 529** spent on learning and development (2019: R2.2 million)

**Growth mindset** programme piloted

**100% of employees** engaged in tailored personal development plan discussions

To build and grow our key capabilities and provide the necessary level of challenge, we encourage individuals to take ownership of their learning and development and collaborate with them to curate learning experiences. We identify our people's learning and development requirements during regular performance conversations in which KPIs are set and individual development plans put in place. These are then reviewed over the performance period.

We encourage employees to pursue further formal educational qualifications and to attend industry-related conferences and webinars, training courses, seminars and workshops to improve their knowledge and skills and enhance their competence and capabilities. In-house workshops are facilitated by subject-matter experts, business specialists and leadership who share their experience and industry expertise with the team.

Individual leadership coaching is provided where necessary to help leaders gain confidence in managing in an evolving environment. Individual and group coaching has also been extended to our people to enable them to navigate working in a changing environment. We are represented as members on several industry body Boards leading several committees, including the Green Building Council Board, SAPOA, as well as on the Board and regional committees of the SACSC and on the SA REIT Association Exco and committees.

As a result of physical distancing requirements, many of our training and development initiatives shifted online in 2020, making programmes more accessible for people across the organisation. We saw an increase in the amount of compliance training undertaken during the year to upskill employees on information communication technology compliance and COVID-related training, among other matters.



During the year, 39 employees benefitted from training programmes (including fixed-term employees and learnerships) (2019: 37). The average spend per employee was R25 628 (2019: 100 679). The decrease in training spend was a result of our focus on providing bursaries. Furthermore, the impact of COVID-19 resulted in the participation of employees in online-driven training forums that are run more economically thus bringing down costs. The total bursary spend was R750 726 which was allocated as follows:

- Two African females from the South African Institute of Black Property Practitioners (SAIBPP) (one student is studying towards a BCom Honours degree in Property Valuations and the other a third year student studying towards a BSc Real Estate degree).
- Two African males from Feenix, a non-profit organisation that provides a crowdfunding platform for students (one is a third-year student studying towards a BSc in Property Studies and the other a fourth-year student studying towards a Postgraduate Diploma in Property Studies).
- Indian male second-year student studying towards a degree in Architecture.

## Employee training and development

		2020	2019
Total number of male employees who benefitted from training programmes	(number)	12	9
African males	(%)	4	4
Coloured males	(%)	1	1
Indian males	(%)	1	0
White males	(%)	6	4
Total number of female employees who benefitted from training programmes	(number)	27	13
African females	(%)	11	4
Coloured females	(%)	2	0
Indian females	(%)	7	4
White females	(%)	7	5
Total number of employees who benefitted from training programmes	(number)	39	22

In the year ahead, we will focus on extending the Growth Mindset programme and ensuring that all employees have set tangible learning goals and developed a plan of action (individual development plans) to address their learning and development needs.

## Leadership development

We measure the effectiveness of our leaders to assist them and our organisation to grow. At the end of 2019, we conducted a 360-degree leadership survey leadership survey through Feedback Rocket. This survey assessed the level of responsible leadership displayed by senior leaders, evaluated their commitment to exemplifying our values, and gained insight into individual performance against leadership competencies.

An overall score of 7.7 was achieved, with the benchmark set at 7.9. The top leadership qualities were honesty, trustworthiness, integrity, passion regarding success, skill, competence, respect and commitment to diversity. The areas identified for improvement that were targeted during the year included conflict resolution, adaptability to change, openness to challenge and receiving constructive criticism, clear communication and enhanced delegation skills.

There are leadership development initiatives in place to enhance capability to deal with the areas of improvement. These include:

- Coaching
- Workshops
- Online courses and
- Receiving ongoing feedback

## Workforce composition

	2020 (%)	2019 (%)
Male employees	29.4	25
Female employees	70.6	75
African employees	32.4	34.4
Coloured employees	8.8	6.3
Indian employees	23.5	21.9
White employees	35.3	37.5
Employees with SA citizenship	100	100
Foreign national employees	2.9	0
Employees with disabilities	0	0



# INSPIRING PASSIONATE PEOPLE CONTINUED

## Succession

Our succession plan is aligned with our intention to implement our transformation strategy, grow talent internally, create an exceptional people experience and consider the retention of critical people and skills. It mitigates our succession risk and is instrumental in achieving our strategy and business objectives. L2D's approach focuses on strategic management of the attraction, acquisition and development of talent with career opportunities for all.

Our succession philosophy is about preparing L2D to be future fit, understanding the key capabilities that enable strategy both now and for the future, and gearing the workforce to meet short- and long-term objectives. It is aligned with our culture and organisational design as the business evolves and grows.

## Growing a transformed organisation

We are committed to encouraging diversity through all levels of our organisation, up to and including leadership. We support the principles reflected in the Employment Equity Act and are committed to creating a diverse and equitable workplace.

Occupational level	MALE				FEMALE				FOREIGN		Total	Number Black	Number Black Female	% Black/Target	% Black Female/Target
	A	C	I	W	A	C	I	W	Male	Female					
Top management	0	1	0	0	0	0	0	1	0	0	2	1	0	50	0
Senior management	1	0	0	5	1	1	4	3	0	0	15	7	6	47/44	40/38
Middle management	1	0	0	0	2	0	3	3	1	0	10	6	5	60/67	50/56
Junior management	1	0	0	0	5	1	0	0	0	0	7	7	6	100/100	86/86
Semi-skilled	0	0	0	0	0	0	0	0	0	0	0	0	0	0/100	0/50
<b>Total</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>5</b>	<b>8</b>	<b>2</b>	<b>7</b>	<b>7</b>	<b>1</b>	<b>0</b>	<b>34</b>	<b>21</b>	<b>17</b>	<b>62/66</b>	<b>50/50</b>
Non-permanent	1	0	0	1	0	0	1	0	0	0	3	2	1	67/0	33/0
<b>Total</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>6</b>	<b>8</b>	<b>2</b>	<b>8</b>	<b>7</b>	<b>1</b>	<b>0</b>	<b>37</b>	<b>23</b>	<b>18</b>	<b>62/66</b>	<b>49/50</b>

In 2020, we undertook an initiative facilitated by Mandate Molefi, specialised diversity and inclusion external consultants. The company engaged in conversations across the business to highlight blind spots in terms of diversity and inclusion. The outcome of the discussions held will allow us to empower people throughout the organisation to implement best-practice principles and improve the quality of all engagements. In this way, we will ensure that all voices are heard and a safe atmosphere is provided for courageous conversations that challenge the status quo and support real inclusion.

Furthermore, our Inclusivity, Diversity and Employment Equity (IDEE) forum continued to meet quarterly, and a series of IDEE-led workshops have been held as a means of fostering a more inclusive culture at L2D. These will continue in 2021.

We view discrimination as a severe transgression and have a zero-tolerance

approach to such matters. We have various policies in place prioritising employees' rights, as well as our sexual harassment policy, which prohibits such behaviour as a form of discrimination. Our Human Experience is the lens through which we view the improvement of our Employment Equity Standards and Guidelines, procedures and practices and the overall employee experience. An optimal employee experience ensures that we retain our people and help them progress in the organisation. The table illustrates that we are progressing well on our overall EE targets for 2020, with some areas that have action plans in place in 2021 to meet the overall targets set in certain categories, having missed the target set in Middle Management.

There were no reported incidents of discrimination during the year, and no fines were paid for breaches of labour law.



## Realising and recognising – Ensuring fair and competitive compensation and benefits with ongoing recognition of exceptional contributions in the management of talent

We ensure that our human capital and remuneration strategy supports our business strategy, vision and purpose through an integrated approach to talent management. It is critical that we use our human capital processes, systems and practices to work together in an integrated way to strengthen our human capital asset. We further ensure that informed decision-making is possible concerning remuneration in relation to recruitment, talent management, performance management and individual development.

We use insights from our talent acquisition practices to assess market premiums and resources with scarce critical skills that may inform a higher benchmark and pay position. Our remuneration practices are structured to drive performance, retention and to enable business building.

Responsible and fair remuneration is achieved through L2D's philosophy of linking value creation to shareholder value over the short-, medium- and long-term, as well as independent oversight and governance.

For more information, please see our remuneration report contained in our 2020 Integrated Report.

### Talent management and development

Our strategic talent management processes strive to align and target initiatives that create an environment that enables individual development and progression and allows us to build capabilities for future roles. This process is informed by the individual's performance and the capabilities and skills required to successfully progress in the organisation.

Moreover, learning forums and experiences create a culture and work environment that stimulates individual ownership of learning and development to enable our people to progress their careers and, thereby, their earning potential.

### Performance management

Our performance excellence culture is supported by our performance management policy, which requires each person to enter into an annual performance contract that clearly defines the objectives and outputs expected of them, aligned to the overall business objectives for both financial and non-financial outcomes, with due regard to the line of sight over their direct impact.

Performance contracts identify and clarify deliverables and KPIs against which performance is measured throughout the year. Informal continuous assessment and formal reviews of individual performance take place regularly to ensure that there is feedback and conversation that recognises and encourages success, identifies any development needs and determines corrective action where necessary.

The individual's level determines the level of allocation to incentive eligibility in the organisation – the more senior, the higher the percentage attributable to financial KPIs. All incentive awards are conditional on achieving performance conditions and targets. Guaranteed bonuses are paid by exception in the context of hiring and only concerning the first year.

### Fair and responsible remuneration

L2D is committed to the principle of fair and responsible remuneration and therefore considers the fairness of executive compensation in the context of remuneration paid to all employees. The L2D reward philosophy allows for differentiation where it is fair, rational and explainable. L2D pays for performance. Thus remuneration must be externally competitive and internally equitable and is assessed with the principle of equal pay for work of equal value to identify and address any unjustifiable remuneration disparities.

# INSPIRING PASSIONATE PEOPLE CONTINUED

Inspiring and innovating – Creating an environment where individuals are passionate about innovating and imagining future possibilities, achieving results and contributing to business success.

To facilitate innovation and encourage our people to continually challenge the status quo, we held our Chief Executive Challenge and Awards, encouraging employees to submit innovative ideas around performance, metrics, process and people, with the winning ideas receiving an award weekly.

## #FutureWork

In 2020, L2D joined the world in history’s largest-ever work-from-home experiment. Consultation was vital to mapping a response to a new way of working in the best interests of all stakeholders, and fundamental to that was gauging the needs and concerns of our people. Nearly three-quarters of our employees took part in our initial #FutureWork survey during the lockdown period in South Africa.

### We asked:

- What has worked well and what has not worked while functioning remotely?
- What is the most critical matter we need to address to ensure we work smart currently and in the future?
- If you had to change one thing about how you are currently working, what would that one thing be?
- What is most important to you in ensuring that the transition to the new normal is comfortable and supports your productivity?

Using the responses from this engagement as a base for further exploration, we have planned a phased approach to entrenching these new ways of working that supports our people. Moreover, additional surveys have been conducted in anticipation of moving from a remote-work model to a hybrid approach of in-office and remote working to support the development of guidelines that enable success.

Areas of focus over the short-, medium- and long-term are described below.

### SHORT TERM

- Measures in place to ensure safety such as hygiene, cleanliness and sterilisation. Testing of employees as a safety precaution
- A schedule or booking system to book your workspace to support social distancing
- Allowing flexibility and choice if people are uncomfortable returning to the office
- The office should be a place of engagement and experiences
- Face-to-face meetings should be discouraged unless necessary

### MEDIUM TERM

- Gradually changing the office space to spread out the working stations and making them less formal and more collaborative
- Ensuring that our new ways of working are documented and clear to everyone
- Recruit to fill gaps in capability for innovative work practices
- Fewer hours spent in the office working, as work can be done from home
- Facilities at work to allow better engagement with people that are working from home

### LONG TERM

- Measures in place to ensure our safety
- Creating gatherings to build the right culture and drive team energy and spirit
- Adapt policies to consider remote/smart work and the use of technology to run the business from anywhere
- Flexibility in working hours, working days and working remotely
- Home office set up allowance as part of onboarding cost



## Connecting and belonging

– Ensuring continuous employee engagement drives a high-performance culture and creates an environment for people that deliver with passion, accountability, care, and excellence

L2D's occupancy of offices at Melrose Arch came to an end in September while the team worked remotely. This presented an exciting opportunity for the business to move into Nelson Mandela Square with a renewed focus on supporting new ways of working that will drive performance and the achievement of our strategic objectives in 2021 and beyond. Conversations around what has been lost through remote working and capitalising on many work practices that have emerged in the work-from-home space have enabled us to gain a clearer picture of the model we wish to create.

## Moving in and moving on – To attract, recruit and onboard top talent, ensuring an exceptional new hire experience

We use our talent acquisition practices to attract the calibre of individuals necessary to deliver performance excellence and ensure alignment with our Company culture. We use opportunities to build talent brand ambassadors and aim to refresh recruitment and selection processes and adapt these, taking into account the evolution of work. We further ensure that equity targets are met and that our specialised team is diverse.

We actively recruit individuals who are able to blend technology and business understanding and exploit the organisation's information repository and analytical tools to solve pressing business problems. In our recruitment process, when presented with an opportunity to bring in new talent, we use this measure to build our bench skills of cross-collaboration and big-picture thinking.

Our onboarding process begins upon the appointment of successful candidates, where we ensure that they are fully integrated into the Company culture and the broader team. We engage in talent management to ensure new employees are productive contributors, which effectively shortens the learning curve that comes with a new role and anchors them into the organisation through establishing strong relationships, support, and loyalty.

We have designed a seamless process that involves assigning a “buddy” to the new employee and several other relevant stakeholder engagements that assist with the employee experience.

Two people joined L2D in 2020 and were onboarded accordingly under the COVID-19 physical distancing restrictions within our remote working environment.

We will continue to encourage a collaborative culture of recruitment, leveraging talent brand ambassadors and internal referrals. Furthermore, our social media platforms relay and promote our culture and opportunities within L2D.

## Living and doing – Supporting employee wellbeing to encourage team cohesion and productivity

Attention has been focused on embedding new ways of work and collaborating with regard to workplace flexibility, building trust and engagement levels. Our people's overall mood and wellbeing have been monitored by staying close to and emulating experiences of collaboration, connection, innovation, and energy. Our wellness initiatives were enhanced and focused on the emotional, physical and financial wellbeing needs of our people as they faced new challenges brought on by the pandemic.

We facilitated several group coaching sessions to assist employees within the pandemic work-from-home context, creating a safe space for employees to share and support one another. To promote better engagement in a remote working environment, we also experimented with various engagement platforms and methodologies, encouraging employee connection and collaboration through diverse channels.

# SUPPORTING OUR COMMUNITIES

We strive to be a responsible corporate citizen. We aim to engage and support the communities in which we operate in a responsible, sustainable, constructive and empowering manner.

## SUSTAINABLE SOCIO-ECONOMIC INITIATIVES

We are committed to investing in the communities where our businesses operate and where the portfolio is socially active. To focus our efforts, we partner with like-minded organisations to address inequality and other challenges that persist in South Africa and to improve the quality of life of our society's most needy.

## SUPPORTING SUSTAINABLE TRANSFORMATION

We are firm believers in the need to transform South Africa's unique socio-economic environment and this is actively promoted within our long-term sustainable growth action plan. We have implemented several steps to ensure effective, sustainable transformation within the business.

This includes the use of additional B-BBEE suppliers, investment in enterprise and supplier development and effective talent management of our employees.

**B-BBEE status awarded: LEVEL 2**

B-BBEE procurement level: 125%

The score obtained above comprises the following elements:

Element	Score	Weighting
Ownership	25.25	26.00
Management control	7.27	9.00
Employment equity	10.55	13.00
Skills development	13.34	19.00
Enterprise and supplier development	32.79	39.00
Socioeconomic development	2.00	2.00
Economic development	0.00	0.00
<b>Total</b>	<b>91.20</b>	<b>108.00</b>
Total adjusted for property sector (including bonus)	97.87	132.00

We continue to engage in various initiatives through our commitment to transformation, including:

**R700 000** allocated to bursaries for African males and females enrolled in property-related degrees

**R260 000** committed to enterprise development and **R520 000** to supplier development initiatives to drive genuine economic participation

Focused procurement spend on **30% black female-owned** exempt micro enterprises and qualifying small entities

Furthermore, understanding that small and medium enterprises (SMEs) form the engine of our economy, L2D is committed to Business Leadership South Africa's **#Payin30 initiative**, which asks business to pay suppliers and SMEs within 30 days. This approach aligns with L2D's existing Procurement Policy.



## Investing in our communities

With management support, our employees and the property manager are encouraged to drive social investment projects at Group level and at the individual shopping centres. We have an active community engagement strategy in place to ensure that our social investment impact is meaningful. Wherever practical or possible, we aim to facilitate socio-economic empowerment within our communities.

L2D's socio-economic focus for 2021 will continue to be education, as it is the most impactful investment possible to improve the lives and livelihoods of South Africans. Mad2Adventure will run again in 2021, and we are looking forward to events and initiatives alongside the Youth in Property Association (YIPA) after their empowerment activities were paused in 2020 as a result of COVID-19.

### Mind the Gap

At the very heart of who we are as human beings is the notion of community. The most significant expression of that community is when we gather together – be it at a mall or a social event or even with family. We gather to unite for a cause.

We gather to support each other by our words, our prayers and our presence. The psychological effects of social distancing affect individuals differently, with those who are much more vulnerable feeling the consequences far more.

We supported the Mind the Gap campaign during the year, which seeks to encourage physical distancing rather than social distancing. In this way, we sought to express our sense of community by adding our voice to this critical call to take care of mental health matters through remote connection while supporting social distancing.



# TRANSFORMING OUR COMMUNITIES CONTINUED

## #CreateTomorrow

The impact of COVID-19 cannot be denied nor underestimated. It has had overwhelming effects on the country's socio-economic landscape. As part of the drive to help restart the economy and rebuild tomorrow for South Africans, L2D launched an impact campaign called #CreateTomorrow across its retail portfolio.

The communities served by our nationwide shopping centres are at the very heart of the #CreateTomorrow campaign, which served to support our communities through enriching and impactful initiatives. The campaign called on us all to be custodians of this new chapter and unite in building tomorrow, together.

Under the #CreateTomorrow banner, in June 2020, we introduced touchless parking at Sandton City, Eastgate Shopping Centre and Midlands Mall for the safety of our tenants and customers. Half of the parking income raised (R360 500) was donated to the OnePeople Fund, which buys maize in bulk and distributes it in partnership with local non-profit organisations.

C R e A T E  
T O M O R R O W

Paid-for parking with purpose



**PARK. PAY.  
WE WILL PAY IT FORWARD.**

**50% of your parking fee will be donated to feeding vulnerable communities.**

In this way, our assets have created valuable change for the better. With the support of our valued customers, we were able to provide more than 230 431 meals to vulnerable families nationwide impacted severely by the pandemic.

Moreover, each shopping centre co-owned by L2D has also embarked on individual impact initiatives within their respective regions.

Looking ahead, #CreateTomorrow lives on, inspired by our strategic theme of Rebuilding for Growth.

The essence of the next phase of the campaign will be one of renewal, rebirth, resetting and rebuilding. This approach also enables us to create more significant synergies between L2D and our mall strategies.

# ENSURING BEST PRACTICE SAFETY AND SECURITY

Our foremost priority for 2020 was to ensure that our mall environments exemplified the highest standards of hygiene, care and security.

Security has adapted over the different levels of lockdown, keeping the malls and tenants' premises safe. We had one armed robbery incident at Eastgate. However, no other serious crimes were reported during the year, which is noteworthy considering the number of armed robberies across various malls in the country. A few national strikes disrupted trade, the most notable being the strike against all Clicks stores. Customers, employees and tenants were safeguarded during the strike without any reported incidents.

Our overall occupational health and safety compliance score improved from 85.6% (February 2020) to 86.7% (December 2020). It should be noted that in November 2020, the weightings were adjusted, with greater emphasis being placed on certain criteria. Further to this, two additional metrics were added to the dashboard, namely "Fall Protection Equipment" and "Baseline Risk Register".



**Safe  
Spaces**

In line with our Safe Spaces building block, L2D aims to drive a clearly defined mall strategy that ensures the mall environments hold the highest standard of safety and security for tenants and customers.

The SAFE Asset Group (formerly known as SAFE Shopping Centers) are thought leaders and a trusted partner to the real estate industry. The Group provides certification and advisory services to industry-leading asset owners, operators, investors, retailers, and trade organisations worldwide.

The SHORE (SAFE Hospitality, Office, Retail, and Environments) certification applies to all places where people shop, work, meet, eat, or stay. During the year, the SAFE Asset Group certified the L2D retail portfolio, placing a stamp of approval on our assets in terms of our safety measures, hygiene protocols and the implementation of international best practices.

All our malls received gold excellence status for overall operational performance. Sandton City achieved a 94.5% rating for security – now the highest in the world (eclipsing the previous best of the Mall of America in the USA). Eastgate achieved an equally impressive 92.5% for security.

As the first responsible owner in Africa to achieve this international certification, we believe this accolade is testament to our desire to operate our retail destinations safely and responsibly, putting our tenants and customers' wellbeing first.



The focus for the year ahead will include implementing artificial intelligence security measures across our portfolio. We will also continue to focus on supporting our tenants in attaining full compliance with occupational health and safety across all assets and conduct ongoing training for our employees in this regard.

# OUR BOARD OF DIRECTORS



## ANGUS BAND (68)

*Non-executive Chairman*

Appointed to previous manager Board: July 2017

Appointed to L2D Board: July 2018

Nominations Committee (Chairman), Remunerations Committee, Social, Ethics and Transformation Committee

Angus brings extensive and diverse experience to the Board. He has worked across several sectors including manufacturing, telecommunications, fast moving consumer goods, construction and financial services. Some of his career highlights include: Commercial director at PGBison Limited; Chief Financial Officer of Telkom Limited; Director at Vodacom; Financial Director, CEO and Non-executive Chairman at Anglovaal Industries Limited (AVI); Non-executive Director on the board of the Aveng Group and past lead independent director at Liberty Life.



## WOLF CESMAN (79)

*Independent non-executive director*

Appointed to previous manager Board: June 2016

Appointed to L2D Board: July 2018

Remuneration Committee (Chairman), Nominations Committee, Audit and Risk Committee, Social, Ethics and Transformation Committee

Wolf has over 50 years' experience in South African property investment, development, and asset and property management. He spent 24 years with Liberty Properties (Pty) Ltd, serving as CEO for 17 years before retiring in 2000. From 2000 to 2010, Wolf was involved in the formation and growth of the following listed South African property funds, and served as a director of, Madison Property Fund Managers Limited, ApexHi Properties Limited, Hyprop Investments Limited and Redefine Properties Limited.



## LYNETTE NTULI (38)

*Independent non-executive director*

Appointed to previous manager Board: July 2017

Appointed to L2D Board: July 2018

Social, Ethics and Transformation Committee (Chairman), Remunerations and Nominations Committee

Lynette is the CEO of Innate Investment Solutions. She previously held senior leadership positions within the commercial, development and investor spheres of the property, trade, and investment sectors. Sitting on various executive committees and working groups, Lynette brings valuable experience gained over more than ten years in industry. In 2018 she served as a board member of First National Bank Advisory, Maris Stella School and Lynette is a Choseul 100 Africa Laureate.



## PETER NELSON (66)

*Independent non-executive director*

Appointed to L2D Board: May 2020

Audit and Risk Committee (Chairman), Related Party Committee (Chairman), Remunerations and Nominations Committee

Peter has wide ranging Chairman, CEO and CFO experience in manufacturing, mining, telecommunications, healthcare, leisure, property, packaging, motor industry and finance in listed and private entities in South Africa, United Kingdom, Zimbabwe and Nigeria. He has extensive management, strategy, corporate finance, M&A, debt restructuring and capital raising experience locally and internationally with multiple successful transactions accomplished.

Peter served on the boards and committees of major companies across various sectors in listed, unlisted, group and private equity environments including Chairman of PPC Limited.



## DR PULENG MAKHOALIBE (41)

*Independent non-executive director*

Appointed to L2D Board: October 2020

Social, Ethics and Transformation Committee

Puleng has a passion for creativity, design thinking and innovation. She has 20 years of experience working in the private sector, government and in higher educational institutions. She is the CEO and co-founder of Alchemy Inspiration and her experience includes Head of Innovation, Creativity and Entrepreneurship at Henley Business School and head of Humanities at the University of Cape Town. Puleng has worked globally in the innovation space over the last two decades and has been recognised as a global leader in that space. Puleng is also a passionate speaker, panelist, author, facilitator and an innovation and design thinking consultant.

**BARBARA MAKHUBEDU (46)***Independent non-executive director*

Appointed to L2D Board: 2020

Audit and Risk Committee, Related Party Committee

Barbara is a Chartered Accountant with over 20 years of finance, audit, treasury, tax and controlling experience and in acquisitions and divestments projects. Her career spans across accounting and auditing profession, financial services industry and the energy sector. She is currently CFO of Shell Downstream South Africa and serves on the board and committees of various entities in the Shell Group. She has strong technical skills in accounting, tax, treasury, controlling, governance, risk and assurance.

**DAVID MUNRO (50)***Non-executive director*

Appointed to L2D Board: 2019

David Munro joined the Standard Bank group in 1996. In 2003, he was appointed Deputy Chief Executive, CIB South Africa and in 2006 was appointed to Chief Executive, CIB South Africa. In 2011, he was appointed Chief Executive CIB which position he held until 30 May 2017 when he was appointed Chief Executive of Liberty Holdings Limited.

**CRAIG EWIN (60)***Independent non-executive director*

Appointed to the L2D Board subsequent to year-end: 1 January 2021

Appointed to the Audit and Risk Committee on 19 February 2021

Craig is a Chartered Accountant and has thirty years' experience in the property industry including acquisition, financing and management of properties for a variety of investors. His previous roles included Managing Director of Marriott Property Services, Chief Executive Officer of SA Corporate Real Estate and director of Oryx Properties Limited in Namibia. He is a director of First World Hybrid Real Estate plc, a Regulated Fund which invests in UK commercial property and a director of Sequel Property Investments in South Africa that is responsible for the procurement and management of the fund's properties

**AMELIA BEATTIE (50)***Chief Executive*

Appointed to previous manager Board: June 2016

Appointed to L2D Board: July 2018

Member of the Social, Ethics and Transformation Committee

Amelia has over 21 years' experience in the property sector, initially established at Old Mutual Property in various positions before exiting her role as the Chief Operating Officer. She joined STANLIB in 2012 to establish the STANLIB Direct Property Investment business, including property asset management and property development management. Apart from her role at STANLIB, Amelia served as president of the South African Property Association (SAPOA) from 2014 to 2015. She is also a past chairman of Women's Property Network and served as a trustee for the Education trusts of WPN and SAPOA until 2018. Amelia has held the role of chief executive of Liberty Two Degrees since its listing in December 2016.

**JOSÉ SNYDERS (42)***Financial Director*

Appointed to previous manager Board: March 2017

Appointed to L2D Board: July 2018

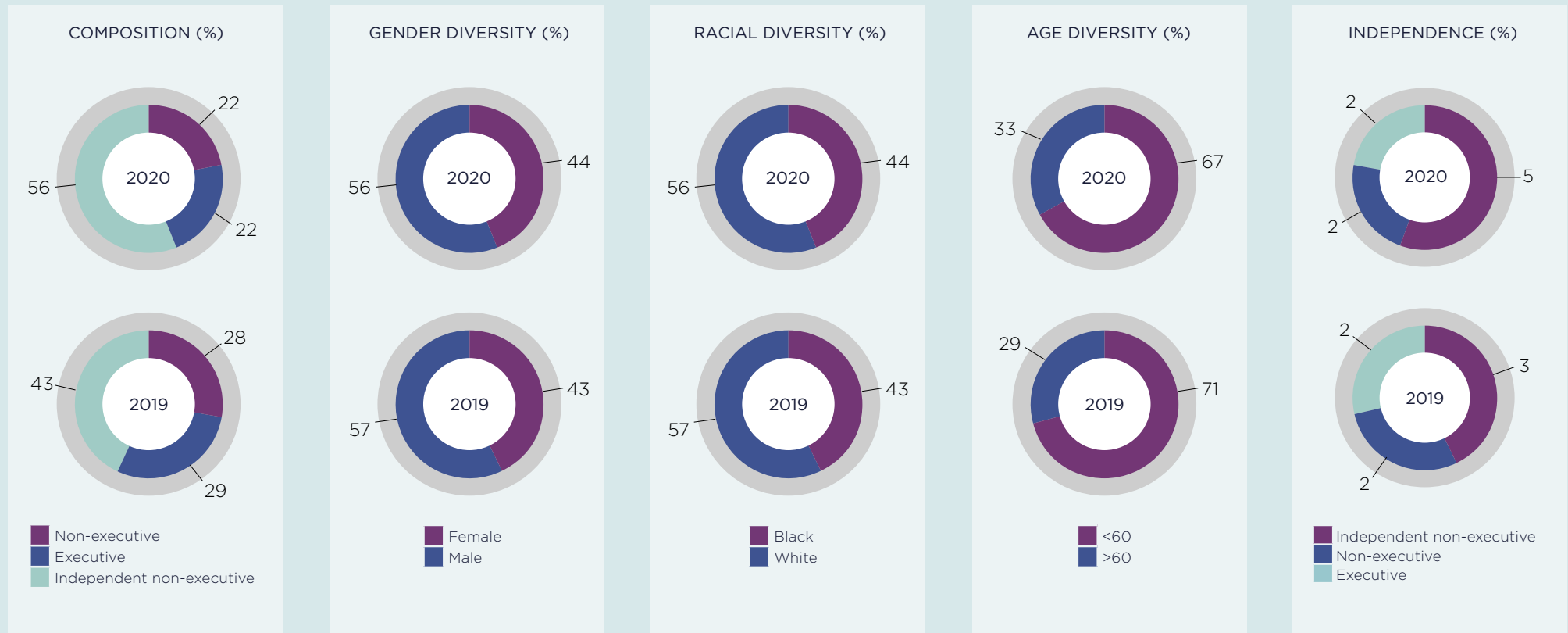
José was previously a dealmaker in the real estate investment banking division of Rand Merchant Bank. He is responsible for financial risk management, investment analysis and the capital structure of the REIT as well as financial planning and balance sheet management. He has significant experience in initiating and implementing transactions in the property sector.

# OUR BOARD OF DIRECTORS CONTINUED

Our leadership comprises individuals who possess the skills and experience to help fulfill our vision and purpose and achieve our strategic objectives in order to deliver sustainable value for our stakeholders. We have a unitary Board structure consisting of nine directors as at the end of 2020. The directors are drawn from diverse backgrounds and bring a wide range of experience, insight and professional skills to the Board. The Board composition is depicted on the previous two pages.

## SKILLS AND EXPERIENCE

	2020	2019		2020	2019
Leadership	9/9	7/7	Risk and opportunity	7/9	6/7
Property	7/9	5/7	Strategic planning	9/9	7/7
IT innovation and governance	7/9	5/7	Climate change and sustainability	7/9	4/7
Compliance and governance	8/9	7/7	Human capital	9/9	7/7
Accounting and auditing	7/9	5/7	Remuneration	7/9	5/7
Finance, funding and capital markets	7/9	5/7			





# GOVERNANCE IMPACT OVERVIEW



**Two independent  
non-executive directors  
appointed in 2020**

**Related Party  
Committee formed**

**Safeguarded  
L2D's culture  
of ethical leadership**



# COMMITMENT TO GOOD GOVERNANCE

## AND THE PRINCIPLES OF KING IV™

The Board is L2D's corporate governance custodian, leading the Company to embed an ethical culture and ensure effective control, solid performance and legitimacy.

At the heart of any successful business is the practice of good corporate governance. The Board believes that good corporate governance:

- Ensures corporate success and business growth
- Instills and maintains investors' confidence, as a result of which the Company can raise capital at a lower cost, efficiently and effectively
- Positively impacts the share price
- Incentivises executives and employees to achieve objectives that are in the interests of the shareholders and the Company
- Minimises wastage, corruption, risk and mismanagement
- Supports the brand
- Ensures that the Company is managed in the best interests of all

While it is essential for the Company to achieve its objectives and drive improvement, it is also crucial to maintain a sound legal and ethical standing in the eyes of shareholders, regulators and the wider community. Furthermore, practicing good governance helps to build a positive reputation and underpins a healthy Company culture.

L2D is committed to the principles of King IV™, and the Board is ultimately responsible for ensuring the integrated and holistic implementation of these principles. The Board is satisfied with its level of compliance with the King IV™ governance principles. The Board is also satisfied that the Company complies with all the corporate governance requirements applicable to listed entities as set out in paragraph 3.84 of the JSE Listings Requirements.

In the best interests of L2D and its stakeholders, the Company is determined to continually improve the Board's application of all the King Code of Governance Principles. A King IV™ application register, which sets out how L2D has applied the principles of King IV™, is available on the Company's website.

## HOW CORPORATE GOVERNANCE CREATES VALUE

Within the Company's ethical environment, effective corporate governance practices create and preserve value for all stakeholders. L2D's governance structures and processes create value for all its stakeholders by:

- Enhancing the Company's understanding of risks
- Balancing return opportunities with the cost of risk
- Allocating capital and resources to activities that create value
- Allocating responsibility and accountability
- Building legitimacy through ethical leadership
- Protecting the L2D brand through responsible behaviour
- Adopting an inclusive approach to business
- Sets the tone for how business is conducted

## Corporate citizenship

The Board understands that good corporate citizenship is a measure of the Company's social responsibility and its adherence to legal, environmental, ethical and other responsibilities to its stakeholders. In today's world, corporate citizenship is becoming increasingly important to investors, customers, employees and society as a whole.

To this end, the Board recognises its rights, obligations and responsibilities towards society, stakeholders and the environment. The Social, Ethics and Environmental Committee assists the Board in evaluating and monitoring measures and targets agreed with management in all areas.

## Corporate governance themes in 2020

During the year under review, the Board took the following approach to ultimately drive sustainable value for stakeholders:

- Safeguarding L2D's culture of ethical leadership to maintain high levels of compliance and standards
- Acting with empathy and care and supporting tenants during the COVID-19 crisis
- Driving a focused ESG strategy
- Balancing the needs and priorities of investors, tenants, service providers and employees on an equitable and fair basis
- Driving innovation initiatives to keep L2D ahead of competitors and improve its offering in the market





## Ethical leadership and culture

The Company's leadership is fully committed to the application of, and compliance with, the highest ethical standards. The Board firmly believes in leading by example and ensuring that the tone is set at the most senior level of the leadership structure. L2D's code of ethics, as set out in its employee policies, is strictly adhered to in the development and implementation of all business and growth strategies.

All decisions are made by the Company's leadership with due consideration to the code. To maintain the highest levels of integrity, honesty and transparency, the Company's employees are all required to familiarise themselves with, and adhere to, the code. In addition, employees are required to comply with the various policies that support the code.

Furthermore, underpinning the code are the Company's values, which are integrated into the performance management process and shape the way L2D behaves and conducts business.

The Company has a zero-tolerance policy on any issues relating to unethical conduct. Therefore, the Company does not, at any level, condone or tolerate any form of fraud, corruption, unlawfulness or other conduct that is irregular.

### Ethics office

The ethics office comprises the Chief Executive, who is the ethics champion, and the chief risk and compliance officer, who is the ethics officer. During the year under review, the ethics office met four times to discuss ethics in the workplace and there were no concerns raised.

In 2020, all employees attended online anti-money-laundering, anti-bribery-and-corruption and fraud-awareness training.

The Company has a zero-tolerance policy on any issues relating to unethical conduct.

**Therefore, the Company does not, at any level, condone or tolerate any form of fraud, corruption, unlawfulness or other conduct that is irregular.**

### Whistleblowing

Vuvuzela Hotline is the independent fraud and ethics hotline service provider to L2D and the Liberty Group. Directors, employees, suppliers and other parties are able to report, without fear of reprisal or victimisation, any instances of fraud, corruption, misconduct, illegal activities, or unethical behaviour.

The Company's property manager (JHIR) provides incident reports regarding the L2D portfolio, which are then tabled

for discussion at the Finance and Risk Oversight Committee and reported on at the Executive Management Committee (Manco). Any matters of a serious nature that may arise are escalated to the Audit and Risk Committee for investigation and action, as required. There were three incidents reported to L2D by JHIR in respect of the portfolio. At the time of reporting, only one incident was still open and under investigation. None of the reported incidents were significant. There were no incidents reported for L2D for the year.



# COMMITMENT TO GOOD GOVERNANCE CONTINUED

## Conflicts of interest

Members of the Board are required to timeously disclose any interests that conflict or could potentially conflict with those of the Company. Any relevant matters are then managed appropriately. To avoid conflicts of interest and ensure compliance with section 75 of the Companies Act, Board members must disclose, in writing, their interest in material contracts involving L2D. Board members must also recuse themselves from deliberation or decision-making processes relating to any matter in which they may have a vested financial interest.

The Company's employees are required to make the appropriate disclosure of potential conflicts of interests in terms of the general conflicts of interest policy at least twice a year. Gifts received by employees must be disclosed in terms of the gift policy and recorded in a gift register. There was a marked reduction in gifts received in 2020 and none were above R1 000 in value.

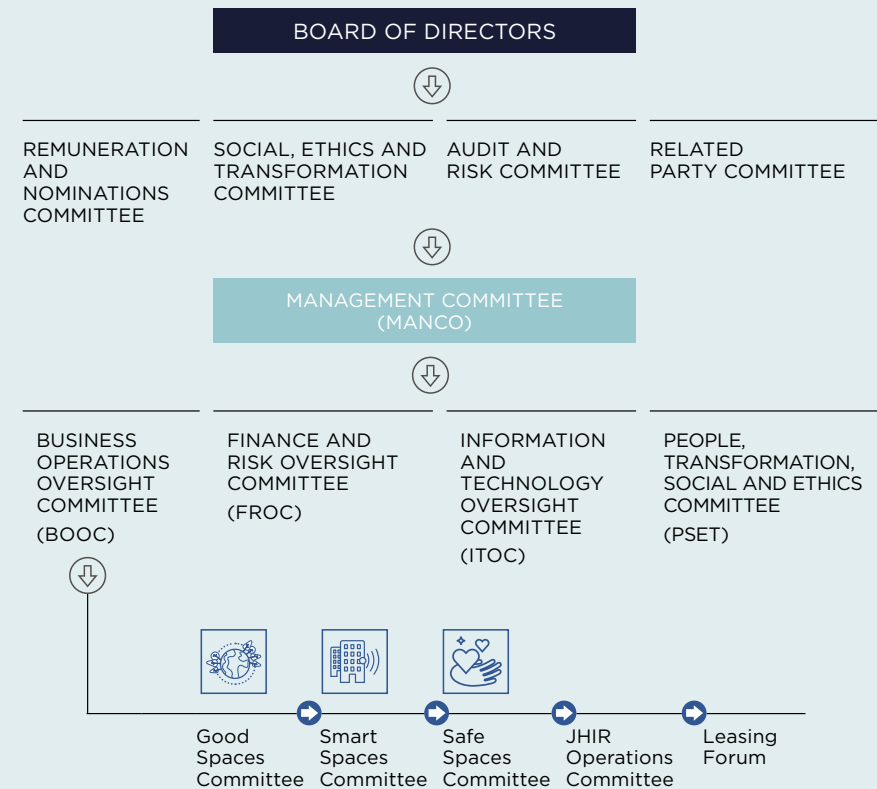
## Dealing in securities

An information and share-dealing policy governs the way in which employees, Directors, insiders and other affected persons deal in L2D securities or disseminate price-sensitive information. During a prohibited period, a Director, Company Secretary or prescribed officer is not permitted to deal in L2D shares and must always obtain written clearance to trade from the Chairman, in consultation with the Company Secretary. Similarly, employees may not deal in L2D shares without first obtaining written approval from the Chief Executive.

While associates of Directors may deal in L2D securities at any time, they must notify the Director immediately after their dealings. Investment managers may not deal unless express consent in writing has been obtained from the Directors. A closed period commences a month prior to the end of a reporting period end. In L2D's case this period commences on 1 June and 1 December each year. Directors' dealings are disclosed in accordance with the JSE Listings Requirements.

Directors' interests in shares are disclosed in the remuneration report on 110 of the Integrated Report.

## Governance structures and delegation



## Effective control

The Board is tasked with directing, managing and controlling L2D's activities. The Board must execute these roles while maintaining transparency, accountability, fairness and acknowledging its responsibility in all decisions made.

Guiding the Board is a charter that sets out the rules for its composition, the frequency of its meetings, and the roles and responsibilities of the Directors and the Board as a whole. The Board reviews its charter annually. An annual work plan has been established to ensure that meeting agendas cover all of the Board's duties and responsibilities. While enabling the Board to retain effective control, the Company's governance structures provide for delegation of authority to a number of committees.

The Board has formed several committees to support it in maintaining oversight of all of L2D's activities, namely the Audit and Risk Committee, the Social, Ethics and Transformation Committee, the Remuneration and Nominations Committee and the Related Party Committee. Notwithstanding, the ultimate responsibility still rests with the Board, to which all committees report.

Each of the Board committees have been appropriately constituted, in accordance with all legislative requirements and in line with a clearly documented mandate that sets out their scope, responsibilities, powers and authority. Their mandates are reviewed annually and annual work plans

are prepared to ensure the committees cover all their duties and responsibilities during the year. The Related Party Committee only meets as and when required.

The Manco comprises the Chief Executive, Financial Director, Chief Operations Officer, Human Capital Executive, Marketing and Communications Executive, Chief Information Officer and Head of Analysis. The Manco is assisted by two internal sub-committees, namely the Finance and Risk Oversight Committee and the Business Operations Oversight Committee (BOOC), whose members comprise other executives and senior subject-matter employees.

Driving the execution of the Company's four building blocks are three sub-committees, namely Good Spaces, responsible for sustainability, Smart Spaces, which is responsible for increased use of and integrating technology to enhance customers' and tenants' experiences and Safe Spaces, which deals with health, safety and security in the environments that L2D operates in.

The Company has a delegation of authority framework (DoA), which sets out matters reserved for the Board and those delegated to committees, the Executive Directors and other roles in the business. The DoA applies to L2D and its subsidiaries and is reviewed annually. The Board is satisfied that the DoA contributes to role clarity and an effective arrangement by which authority and responsibilities are exercised.





# COMMITMENT TO GOOD GOVERNANCE CONTINUED

## Board composition

The nature of the Board ensures that it can add value in its decision-making to all L2D stakeholders. The Board is an efficient team of ten members (nine at year-end) consisting of two Non-executive Directors, six Independent Non-executive Directors (deemed independent in terms of the requirements set out in King IV™) and two Executive Directors (the Chief Executive and the Financial Director). The members have the necessary qualifications, knowledge and experience. There is a clear balance of power and authority at Board level to ensure that no one Director has unfettered powers of decision-making. Two additional Independent Non-executive Directors were appointed in the reporting period, and a third with effect from 1 January 2021.

## Leadership roles and functions

The Chairman of the Board, Angus Band, is a Non-executive Director by virtue of his long-standing association with Liberty Group Limited and Liberty Holdings Limited. Wolf Cesman serves as Lead Independent Director. The roles and responsibilities of the Chairman and the Chief Executive are separated and clearly defined. The Chairman's responsibility is to provide overall leadership to the Board and to ensure that the Directors can perform effectively. The Chief Executive is responsible for the daily management of L2D's operations and chairs the Manco.

The Board is kept informed of all developments within the Group, primarily through the Executive Directors. The role of the Independent Non-executive Directors is to protect the interests of shareholders, especially those of minority shareholders. Independent Non-executive Directors also ensure that all decisions made by the Board have been subjected to the appropriate oversight, challenge and scrutiny.

## Chief Executive

Amelia Beattie was appointed as full-time Chief Executive of the Manager of L2D with effect from 1 December 2016 and as the Chief Executive of Liberty Two Degrees Limited on 10 July 2018. She has a permanent contract with a three-month notice period that does not provide for balloon payments on termination. She does not have any other significant directorships on any governing bodies that place pressure on the execution of her duties, she is also a member of the Liberty Holdings executive committee. L2D is committed to continuously developing its employees to ensure sufficient succession plans are in place upon the resignation of the current Chief Executive.

## Diversity

L2D understands that the diversity of the Board and the Company in general is key to the ongoing success of the business. To this end, the Board has adopted a diversity policy which provides targets for the promotion of diversity. These targets have been substantially met as at the end of 2020, with 44% of Board members being black and 44% being female.

The Board has experience across various industries and sectors, with many years of experience in the management of property investment companies. For further information, refer to [58](#) of this report.

## Board and committee changes

### The Board

Peter Nelson was appointed to the Board as an Independent Non-executive Director on 26 May 2020. Zaida Adams resigned as a Director on 13 August 2020. Puleng Makhoalibe and Barbara Makhubedu were appointed as Independent Non-executive Directors on 21 October 2020. Craig Ewin joined the Board on 1 January 2021 as Independent Non-executive Director.

### Audit and Risk Committee

Lynette Ntuli Stepped down as a member on 25 May 2020. Following Zaida Adams' resignation, Peter Nelson, already a member, was appointed as Chairman of the committee on 21 October 2020. Craig Ewin joined the committee after the reporting period on 19 February 2021.

### Social, Ethics and Transformation Committee

Puleng Makhoalibe joined the committee on 21 October 2020.

### Remuneration and Nominations Committee

Peter Nelson was appointed to the committee on 26 May 2020.

### Related Party Committee

Peter Nelson and Barbara Makhubedu were appointed to the newly established committee on 26 May 2020 and 21 October 2020 respectively.



## Independence

The Board carries out an evaluation of the independence of its Directors in line with the King IV™ requirements. An internal evaluation of the independence of the Non-executive Directors was undertaken by the Nominations Committee on a substance-over-form basis and the outcome was shared with the Board on 18 February 2021. With the exception of Angus Band and David Munro, all Non-Executive Directors were confirmed to be independent.

Independence of the Board is further assured by the following:

- The majority of the Board members are Non-executive Directors, of whom most are independent
- A lead Independent Director has been appointed
- The remuneration of Non-executive Directors is not linked to the performance of the Group
- Non-executive Directors do not receive share awards or options from the Company
- Individual Directors may take independent professional advice at the Company's expense
- All conflicts of interests are declared

## Appointment and re-election of directors

Appointments to the Board are made in a formal and transparent manner with due deliberation by the Nominations Committee and the Board, and after engagement with the controlling shareholder.

The Company undertakes various procedures for new appointments, which include background and reference checks. Board members also need to be willing to devote a relevant portion of their time to L2D.

Appointments of new Directors are approved by the shareholders at the first AGM following their appointment. In terms of the Company's Memorandum of Incorporation (MOI) at least one-third of the Non-executive Directors are subject to retirement by rotation and re-election at each AGM. The compositions of the Board and the various Board-appointed committees are reviewed when Directors change, or on an annual basis. Consideration is given to, among other criteria: skills, knowledge, qualifications, diversity, experience and balance of power.

All Non-executive Directors have appointment letters.

## Succession planning

The Board has appointed three additional Independent Non-executive Directors. Wolf Cesman will be retiring at the AGM on 7 May 2021, but with these appointments, the Board is satisfied that the depth of skills and experience among current Directors meets succession requirements. The Remuneration and Nominations Committee considers succession planning for Executive Directors and other senior executives every year.

The Company is satisfied that the Board's composition reflects the appropriate mix of skills, knowledge, qualifications, diversity, experience and independence.

Craig Ewin, who has some 30 years of property experience, was appointed with effect from 1 January 2021.

## Company Secretary

The Board is cognisant of the duties of the Company Secretary and the vital role he plays in ensuring that Board procedures and relevant regulations are fully adhered to. The Company Secretary is not a director and the directors have unlimited access to his advice and services. The Company Secretary acts as secretary for the Board committees of the Company and is responsible for the flow of information to the Board and to its sub-committees. He ensures that L2D complies with section 88 of the Companies Act and is actively involved in assisting the Board in its governance initiatives.

Ben Swanepoel has more than 11 years' experience as Company Secretary in the listed property environment. He has been registered with the Chartered Governance Institute of Southern Africa since 2002. The Board is satisfied that the Company Secretary is sufficiently skilled and experienced to effectively perform in his role.



# COMMITMENT TO GOOD GOVERNANCE CONTINUED

## Significant matters discussed during the year by the Board and its sub-committees

- Implementation of the Company's strategy
- Portfolio and business performance against budget, forecasts and benchmarks
- Approval of the business plan and budgets
- Review of liquidity, solvency and capital-adequacy requirements
- Approval of the going-concern assumptions
- Approval of the interim and final results and distributions for the year
- Approval of the annual financial statements and integrated annual report
- Approval of SENS and press announcements
- Approval of share buy-backs and subsequent cancellation to protect cash reserves due to COVID-19 pandemic
- Impact of COVID-19 on the business and approval of the mandates for rental relief packages
- Preservation of capital and liquidity and decision not to pay an interim distribution given the high-level of uncertainty
- Approval of trading statements and updates
- Approval of debt funding
- Approval of the write-down in property valuations
- Evaluation of changing risk landscape as a result of COVID-19 and its impact on the business
- Transformation and B-BBEE Scorecard target
- Update on the Smart Spaces building block
- Approval of the sale of a non-core asset
- Compliance with the Collective Investment Schemes Control Act (CISCA), the Companies Act, JSE Listings Requirements and other legislation, regulations, codes and standards
- Director appointments
- Approval of the executive directors' remuneration
- Review of Chief Executive's and Company Secretary's performances
- Review of the Chairman's performance
- Review of the Board charter and committee mandates
- Discussion of the updates received from the chairs of the committees
- Operational matters raised at Manco meetings

## Information and technology governance

By operating in a modern environment, the Company appreciates that technology and information can create and unlock value in the business. The Board is responsible for IT governance and it discharges this function through the Audit and Risk Committee.

Although the IT function has been outsourced, the Company understands the importance of IT governance within the control environment of L2D. The service providers are STANLIB and Liberty IT, which have provided letters of assurance confirming that their IT environments have been aligned with good industry practice as presented in the Cobit 5 Governance Framework and ITIL (IT Infrastructure Library) guidelines. These good practices are further supported by relevant industry standards such as ISO 27002 (Security) and ISO 38500 (IT Governance).

As recommended by suppliers and vendors, the necessary technical standards and guidelines are applied at a technology level. Furthermore, we have outsourced our property management services to JHIR who use technology to manage some of the processes that we are dependent on for decision-making.

The combined risk assessment includes IT risks within the control environment of L2D. The Company recognises the importance of assessing the IT risks of its main property manager, JHIR, and the Audit and Risk Committee monitors these risks on a regular basis.

In executing our Smart Spaces building block, we envisage a significant increase in the technology deployed within our business and, by extension, its influence in how we run our business and how we implement our digital strategy. Patrick Masithela was appointed as our Chief Information Officer during the 2020 year and has made good progress in driving the Smart Spaces initiatives.

An Information and Technology Oversight Committee was established in November 2020 as a sub-committee of Manco. This committee will be responsible for IT governance and the rollout of technology envisaged in the Smart Spaces programme. The Information and Technology Oversight Committee will have two lines of reporting, namely to the Audit and Risk Committee and Manco.

Due to the heightened risk associated with working from home, all employees underwent cybersecurity training.



## Board performance

### Strategy, performance and reporting

It is the Board's responsibility to approve the Company's overall strategy, oversee its implementation, and monitor L2D's performance against approved budgets, targets and KPIs. The Board continuously revisits and refines the Company's strategy to ensure it remains relevant.

Manco refreshed the strategy and presented it to the Board in November. The strategy review involved a relook of the vision, purpose and the values, coming to the conclusion that the Group reaffirms its vision, purpose and values. In addition to the vision, purpose and values, specific aspirations were expressed. These aspirations led to greater clarity on "where we play" or where we want to operate in the environment. Obtaining this clarity, finally led the Board into a path of re-affirming the strategic pillars of our business.

The Board is assisted by the Audit and Risk Committee to ensure that the Company's reports - including the annual financial statements, integrated annual report, presentations, circulars and SENS announcements - are transparent, accurate and comply with legal requirements in order to meet the legitimate and reasonable information needs of its material stakeholders.

### Induction and training

It is a requirement for all directors to continually develop their skills as well as their understanding of the operational environment. Directors are also required to stay informed and understand the material matters that impact the Company in order to ensure that they are equipped to perform their duties to the best of their ability.

All four independent non-executive directors appointed went through the Company's induction programme. This involved one-on-one meetings with the Chairman of the Board, chairmen of the relevant committees, the CE, the FD, the COO and Company Secretary as well as all members of Manco. The aim of the induction programme is for new directors to develop an understanding the nature of the Company, how it operates, its people and its main relationships. The programme serves to ensure that the Director gains an understanding of his/her role and responsibilities as a director as well as the framework and industry within which the Company operates. The induction also covers the Board and committees, the composition thereof, and all the relevant processes, to be able to the director to optimally function as quick as possible. Pertinent governance documentation including minutes of prior meetings are made available to new directors.

During the year under review, presentations and training sessions were held at Board meetings to ensure that directors stay abreast of the regulatory changes, legislative requirements and industry trends. These included trends in property valuations, FutureFit and the impact of technology on the retail environment.

### Performance evaluations

The Board appreciates that a performance evaluation is a mechanism for encouraging continuous performance improvement at Board level, which is effective for developing teamwork and encouraging trust between Board members.

A formal questionnaire-based evaluation was conducted in December 2020 in accordance with best practices set out in the King IV™ Code of Corporate Governance. The report, which was prepared by a consultant, was considered by the Nominations Committee and the Board in February 2021. The performance of the Board was rated as above average and there were no scores of below average or poor.

The performance evaluation of the Chairman was also conducted. The evaluation addressed the overall effectiveness of the Chairman and his performance was also rated as above average.

# COMMITMENT TO GOOD GOVERNANCE CONTINUED

## Legitimacy

L2D's legitimacy resides in the quality of its assets, with a strong heritage and a track record of being property pioneers, particularly in the retail sector. This is evidenced by the Company's ability to remain relevant to its customers and being known as a sector benchmark in innovative property asset management capabilities.

The Company has a strong licence to win, by constantly defining and creating spaces that benefit its various stakeholders.

L2D is part of the Liberty and Standard Bank Group, both of which are credible and trusted brands, and leaders in their respective markets.

## Attendance at Board meetings

The Board is responsible for the Company's governance function. To effectively execute its fiduciary role, the Board has committed to meet a minimum of four times a year. It may call additional *ad hoc* Board meetings should the need arise to address any matters relating to operational, financial, governance or any other key business issues.

During the year under review, scheduled quarterly meetings were held. There were three additional meetings to consider the impact of COVID-19 and to approve the tenant rental relief mandates. For the details of attendance at Board and committee meetings during the year, refer to the following table.

## Board and committee meeting attendance

Committees	Board	ARC	SET	Nominations and Remco	Related Party
				<b>Wolf Cesman (Remuneration)</b>	
Current chairs	<b>Angus Band</b>	<b>Peter Nelson</b>	<b>Lynette Ntuli</b>	<b>Angus Band (Nominations)</b>	<b>Peter Nelson</b>
Number of meetings	7	8	3	2	1
<b>Angus Band</b> <i>Non-executive Chairman</i>	7/7	8/8*	3/3	2/2	1/1*
<b>Wolf Cesman</b> <i>Lead Independent Non-executive Director</i>	7/7	8/8	3/3	2/2	
<b>Lynette Ntuli</b> <i>Independent Non-executive Director</i>	6/7	1/2^^	3/3	2/2	
<b>David Munro</b> <i>Non-executive Director</i>	7/7	n/a	n/a	n/a	
<b>Peter Nelson</b> <sup>^</sup> <i>Independent Non-executive Director</i>	4/4	5/5	n/a	1/1	1/1
<b>Barbara Makhubedu</b> <sup>#</sup> <i>Independent Non-executive Director</i>	1/2	1/2	n/a	n/a	1/1
<b>Puleng Makhoolibe</b> <sup>#</sup> <i>Independent Non-executive Director</i>	1/2	n/a	1/1	n/a	
<b>Zaida Adams</b> <sup>**</sup> <i>Independent Non-executive Director</i>	5/5	5/5	n/a	n/a	
<b>Amelia Beattie</b> <i>Chief Executive</i>	7/7	8/8*	3/3	2/2*	
<b>José Snyders</b> <i>Finance Director</i>	7/7	8/8*	3/3*	n/a	
<b>Ben Swanepoel</b> <i>Company Secretary, Chief Risk and Compliance Officer</i>	7/7	8/8	3/3	2/2	

\* By invitation.

\*\* Resigned 13 August 2020.

<sup>^</sup> Appointed 26 May 2020.

<sup>#</sup> Appointed 21 October 2020.

<sup>^^</sup> Stepped down on 25 May 2020.

<sup>-</sup> Had prior meeting commitments that were made before her appointment and could not attend the first meeting



The internal auditors and external auditors attended all ARC meetings by invitation.

The skills and experience of the members are set out on 58 to 59.

## Board committees

The Company has a number of standing committees, which were created to assist the Board with the execution of its responsibilities. While certain functions are delegated to the committees, the Board retains ultimate responsibility for all of the committees' activities. Each committee has an agreed-upon mandate, approved by the Board.

The committee mandates were reviewed in November 2020 and set out the following for each constituted committee:

- The composition of the committee
- The committee's overall role, duties and responsibilities
- The responsibility delegated by the Board to the committee
- The scope of authority that is set out for each committee
- The committee's access to resources and information
- The meeting procedures to be followed
- The arrangements for evaluating the committee's performance

For the year under review, all committees were satisfied that they fulfilled their responsibilities in accordance with their mandates.

## OPERATIONS OF EACH COMMITTEE

### Audit and Risk Committee

#### Peter Nelson (Chairman)

The Audit and Risk Committee (ARC) has statutory duties in terms of section 94(7) of the Companies Act. It has an independent role and is accountable to both the Board and the Company's stakeholders. The committee is responsible for the following functions, processes, controls and assurances:

- Financial reporting
- Risk management
- External audit
- Compliance
- Internal audit and controls
- Combined assurance
- Oversight of Integrated Reporting
- IT governance

### Committee membership

Collectively, the committee members are equipped with the appropriate financial and related qualifications, skills, financial expertise and experience to discharge their responsibilities.

Member	Appointed	Resigned
Peter Nelson (Chairman)	26 May 2020	
Wolf Cesman	28 July 2017	
Barbara Makhubedu	21 October 2020	
Lynette Ntuli		25 May 2020
Zaida Adams		13 August 2020

#### Committee invitees

Amelia Beattie (*Chief Executive*)  
 José Snyders (*Financial Director*)  
 Gareth Rees (*Finance Executive*)  
 Ben Swanepoel (*CRO and Company Secretary*)  
 External auditors  
 Internal Auditors  
 Chairman of Liberty's Audit Committee and the Financial Director\*  
 Chairman of the Board  
 Tax consultants

\* *The results of L2D are consolidated into Liberty's, hence their attendance.*



# COMMITMENT TO GOOD GOVERNANCE CONTINUED

## Overview

The ARC's role is to provide independent oversight of the effectiveness and quality of the Company's financial and internal controls, assurance functions and services. It is the ARC's responsibility to ensure the integrity of L2D's published financial and non-financial information, and to implement effective risk management policy and management.

The ARC is satisfied that:

- The governance processes, risk management and system of internal controls are adequate and effective based on the reports received from the external and internal auditors for the 2020 year;
- The financial controls in place are suitable and form a sound basis for the preparation and reporting of reliable financial information; and

- It has fulfilled its mandate, including its statutory duties, and that the Company has complied with the JSE Listings Requirements, Companies Act, REIT tax provisions and other regulatory requirements.

## Matters discussed by the ARC

Four additional meetings were held in 2020. The committee's focus on financial reporting during the year under review, in addition to its other duties and responsibilities, included the following:

- Review of financial performance and forecasts as impacted by COVID-19
- Review of cash-flow and liquidity-stress-test scenarios
- Review of the terms of debt facilities and recommendations to the Board
- Review of solvency and liquidity, capital adequacy and going-concern-assumption requirements
- Progress on the rental relief negotiations
- Impairment of the investment in Edcon
- Consideration and review of external auditors' report
- Accounting treatment of hotel operating income
- Increase in tenant arrears and the expected credit-loss provision
- New JSE requirements for the signing of the financial statements and by the Chief Executive and Financial Director

- Response to the proactive monitoring of financial statements letter received from the JSE regarding the accounting treatment of rental discounts and fair value disclosures of property valuations and implemented the changes agreed on
- Review and deliberation of property valuations in view of uncertainty in the market and recommendation of the write-down for Board approval
- Recommendation of results, distribution, SENS announcements, trading statements and annual financial statements. This included the non-payment of an interim distribution
- Received updates on the Chief Executive's top-of-mind risks
- Reviewed the effectiveness of the risk management system embedded in the business
- Reviewed the risk report focusing on COVID-19 as well as the controls and actions undertaken by management to mitigate and manage risks
- Reviewed the combined assurance assessment report
- Reviewed the compliance dashboard
- Reviewed taxation matters
- Reviewed internal audit reports
- Considered the legal report and litigation risks facing L2D
- Approved the establishment of the ITOC that will report to the committee and Manco

- Monitored compliance with loan covenants and interest-rate-hedging policy
- Approved the portfolio and Company insurance cover
- Reviewed and accepted letters of assurance provided by Liberty and STANLIB in respect of IT governance
- Reviewed and accepted the letter of assurance provided by JHIR in respect of the outsourced property management function
- Approved the external and internal audit plans
- Reviewed the external auditor suitability assessments
- Reviewed the effectiveness of the internal audit function
- Evaluated the independence, performance and conduct of the external auditors. Satisfied itself with the quality of the external auditors. Furthermore, obtained the confirmations required in terms of sections 3.84(g) and 22.15(h) of the JSE Listings Requirements
- Recommended that PricewaterhouseCoopers Inc. be re-appointed at the AGM
- Confirmed the suitability and competence of the finance director and finance function
- Monitored compliance with CISCA, JSE Listings Requirements, Companies Act and other applicable legislation, codes, regulations and standards

## Social, Ethics and Transformation Committee

### Lynette Ntuli (Chairman)

The Social, Ethics and Transformation Committee (SET) continuously monitors L2D's activities that pertain to legislation and legal requirements as well as social, transformation, environmental and economic development. In addition, the committee ensures that L2D acts ethically to protect the Company's reputation and actively engages with various stakeholders while acting in a manner that befits a good corporate citizen.

### Committee membership

Member	Appointed
Lynette Ntuli (Chairman)	26 July 2017
Angus Band	26 July 2017
Wolf Cesman	17 June 2016
Amelia Beattie	1 November 2018
Puleng Makhoalibe	21 October 2020

### Committee invitees

José Snyders (*Financial Director*)

Jonathan Sinden (*Chief Operating Officer*)

Ben Swanepoel (*CRO and Company Secretary*)

Steph Goodwin (*Human Capital Executive*)

Heloise Mgcina (*Marketing and Communications Executive*)

Other subject specialist and champions of the building blocks

### The ARC's focus areas for 2021

- Review the Company's risk appetite and tolerance levels
- Review the risk management policy
- Technology and information governance
- Compliance with the Protection of Access to Personal Information Act (POPIA)
- The continued impact of COVID-19 on the business

### The SET Committee's focus areas for 2021

- Achieve Net-zero Waste Target
- Evaluate solar PV installations at Midlands Mall (additional solar), Promenade and Sandton City, composting facility at Midlands Mall, LED lighting and rainwater harvesting systems at Eastgate and Sandton City
- Implement the 2021 transformation strategy

# COMMITMENT TO GOOD GOVERNANCE CONTINUED

## Overview

The SET has a mandate to guide and monitor the Company's transformation, social, economic, environmental, ethics, consumer engagement and management activities in accordance with the relevant legislation, codes and other legal requirements.

The SET is satisfied that it was fully compliant with its mandate requirements during the year under review.

## Matters discussed by the SET



### People

- Review of the employee experience framework
- People strategy for 2021, embracing new ways of working
- Employee wellbeing and the social and psychological implications of working from home
- Talent development within the Company

### Transformation

- The implementation of the transformation strategy and scoring against property sector codes
- The Company's BEE verification
- Employment equity and diversity



### Good Spaces

- Update on Net-zero Targets for waste, water and carbon emissions
- The Company's carbon emissions during the year
- Approval of the Company's material matters, as set out in the Integrated Report
- Sustainability initiatives including energy, water and waste reduction projects
- Green Star certification for the retail properties



### Safe Spaces

- Compliance with the OHS Act and regulations
- Implementation of the COVID-19 response plan at the various lockdown levels
- Increased cleaning, hygiene and security protocols in malls in response to COVID-19 to protect customers, tenants, service providers and employees
- Creating safe environments and international accreditations



### Smart Spaces

- Development of a phased roadmap to developed digital capabilities
- Progress made in the development of an integrated AWS data platform

### Stakeholder management

- Review of investor relations engagements and outcomes
- Review of report on stakeholder engagements during 2020

### Marketing and communications

- Approval of marketing and communication strategy
- Review of marketing campaigns including Create Tomorrow

### Good corporate citizenship

- The Company's compliance with constitution, laws, rules, regulations, codes and policies
- Ethical conduct within L2D
- Combating fraud and corruption
- Socioeconomic development initiatives and spend

## Remuneration and Nominations Committee

**Wolf Cesman**, *Chairman Remuneration* + **Angus Band**, *Chairman Nominations*

The Remuneration and Nominations Committee continues to monitor the Company's remuneration policies and their implementation. The committee also oversees the preparation of the remuneration report in the Integrated Report. The committee remains focused on the nomination of adequately experienced and skilled directors to serve on the Board.

Member	Appointed
Wolf Cesman (Chairman of Remuneration Committee)	17 June 2016
Angus Band (Chairman of Nominations Committee)	26 July 2017
Lynette Ntuli	26 July 2017
Peter Nelson	26 May 2020

### Committee invitees

Amelia Beattie (Chief Executive)  
 Steph Goodwin (Human Capital Executive)  
 Ben Swanepoel (CRO and Company Secretary)

### Overview

#### Remuneration Committee

The role of the Remuneration Committee (Remco) is to assist the Board in discharging its duties in terms of governing remuneration and developing and implementing a remuneration philosophy to publish in the Company's remuneration report. Remco also ensures that the Company has competitive reward strategies and programmes in place to attract and retain high performing employees to achieve the Company's strategic objectives. The committee seeks to safeguard stakeholder interests by ensuring that remuneration structures do not drive excessive risk taking.

For further information refer to the remuneration report, which appears on 114 of the Integrated Report.

#### Nominations Committee

The role of the Nominations Committee is to assist the Board by ensuring that its composition has the appropriate balance of skills, knowledge, diversity and independence to effectively discharge its duties.

The Remuneration and Nominations Committee is satisfied that it complied fully with its mandated requirements.

### Matters discussed by the Remuneration Committee

- Update of the remuneration policy and restricted share plan trust deed to include long-term incentive plan (LTIP) forfeiture, incentive clawback conditions and address investor concerns
- Approval of incentive percentages and annual increases, bonuses (STIs) and share awards, and LTIPs
- Recommendation of non-executive directors' fees
- Approval of vesting of share awards (no performance conditions applied)
- Approval of once-off special COVID-19 pandemic share awards to key employees
- Appointment of a new trustee for the L2D Restricted Share Scheme
- Approval of financial and non-financial business KPIs
- Review of the Chief Executive and Financial Director's remuneration packages
- Review of the remuneration and implementation report

### Matters discussed by the Nominations Committee

- Nomination of new Board members
- Confirmation of directors' independence
- Committee composition in terms of size, diversity and the necessary skills required
- Board evaluations
- Chairman and director succession
- Approval of key management positions i.e. the Chief Information Officer

### Related Party Committee

The role of the Related Party Committee is to review not-business-as-usual transactions between L2D and Liberty Group Limited to ensure that the rights of minority shareholders are protected.

Member	Appointed
Peter Nelson (Chairman)	26 May 2020
Barbara Makhubedu	21 October 2020

### Matters discussed by the Related Party Committee

The committee met once in 2020 to approve the lease terms for L2D's new offices at Nelson Mandela Square where L2D and LGL are co-owners.

## The Remuneration and Nominations Committee focus areas for 2021

- Review of committee compositions
- Benchmarking of employee remuneration and director fees
- Assessment of current incentive scheme operation and its impact on remuneration during the COVID-19 pandemic

