



SESFIKILE CAPITAL
Property Investments

STEWARDSHIP REPORT

2025



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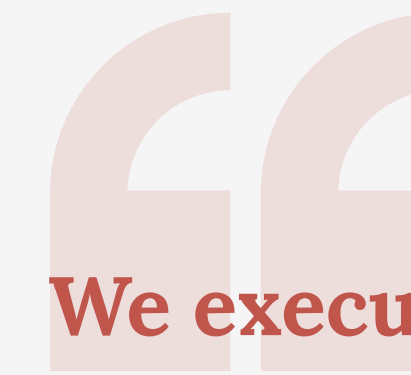
01 Introduction

Sesfikile Capital's Stewardship Report demonstrates our active and impact-driven approach to engagement and voting. We believe that investors have a critical role to play when it comes to sustaining the health of financial markets and ensuring the efficient allocation of capital.

This report sets out some key statistics, examples of our engagement and our views on some of the most important environmental, social and governance issues.

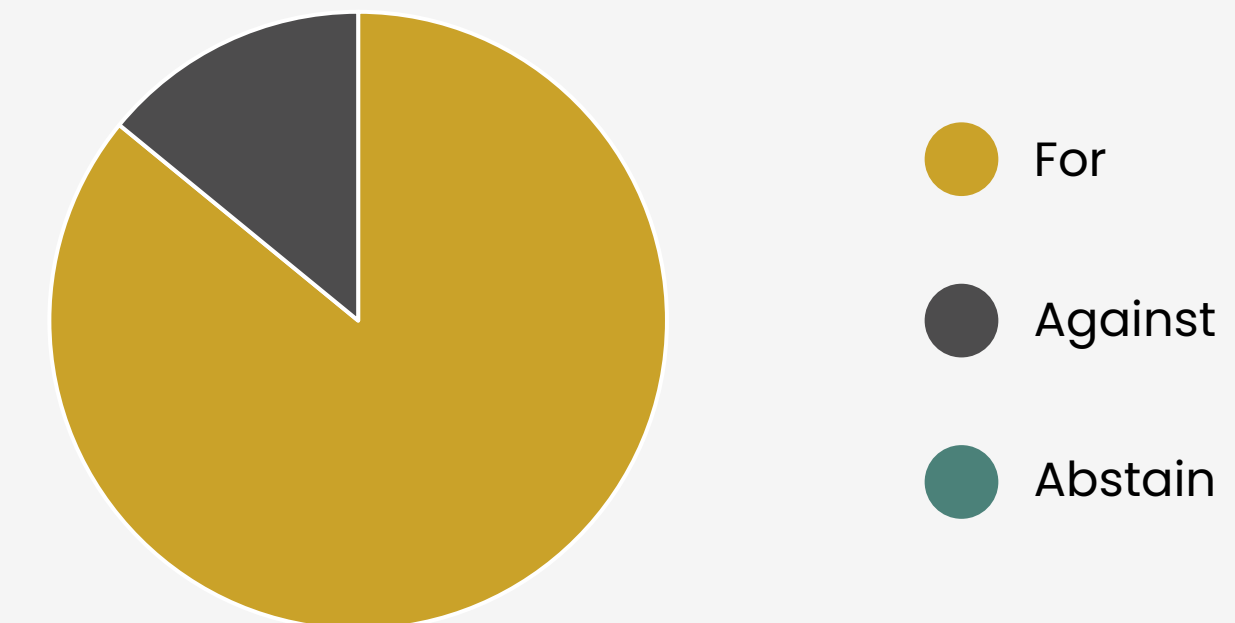
Engaging with the companies in which we invest allows us to not only monitor our investments, but also to ensure we have an open dialogue that can enable change for the benefit of both society and the planet. We also want to provide transparency around investments, so that clients can ensure their holdings align with their own values.

We remain committed to our stewardship responsibilities: proxy voting, direct engagement with company management and industry participation. We executed over 471 voting decisions on behalf of our clients and have voted against 10% of all resolutions as we elevated our views on several matters highlighted across this report. While corporate governance has and continue to be the focal point of most engagements, we have been increasingly vocal around environmental and social issues.



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Voting Record



Sesfikile Capital has over 15 years' experience with expertise in local and global listed property. It has 6 investment professionals who generate proprietary research and analysis for our investment strategies. Sesfikile Capital provides investment management services to institutional and individual investors. This policy describes the key elements of our approach to incorporating ESG and sustainability matters into our relevant investment processes.

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02 Governance

Beyond remuneration design, our governance engagements have focused on the robustness of oversight, accountability, and decision-making processes at board level. We have consistently assessed whether boards demonstrate sufficient independence of thought, diversity of skills, and an appropriate balance between executive and non-executive influence. Where boards appear overly entrenched or insufficiently refreshed, we have encouraged succession planning and periodic board renewal to ensure continued relevance and effectiveness in a changing operating and regulatory environment.

A key area of focus has been the quality of disclosure and transparency provided to shareholders. We have actively engaged with boards and management teams to improve the clarity of reporting around strategic decision-making, capital allocation frameworks, and risk management practices. We have sought more detailed explanations of how boards evaluate trade-offs between growth, balance sheet strength, and shareholder returns, especially in periods of market stress or elevated uncertainty. Enhanced disclosure is essential for investors to properly assess governance quality and long-term alignment.

We have also scrutinised capital allocation discipline, including acquisitions, disposals, developments, and funding decisions.

Where boards have pursued transactions that appear opportunistic, poorly timed, or insufficiently stress-tested, we have raised concerns regarding execution risk and governance oversight. Our voting decisions have reflected an expectation that boards demonstrate a clear strategic rationale, conservative assumptions, and a strong alignment with long-term shareholder value creation rather than short-term earnings support.

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Risk governance has remained an important pillar of our stewardship approach. We have assessed whether boards adequately identify, monitor, and mitigate key risks, including balance sheet risk, refinancing risk, tenant concentration, and operational resilience. Where risk frameworks have appeared reactive rather than proactive, we have encouraged boards to strengthen internal controls, scenario analysis, and stress-testing practices to better prepare for adverse market conditions.

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02 Governance

In line with evolving best practice, we have increasingly emphasised the integration of sustainability considerations into governance structures, rather than treating ESG as a standalone or compliance-driven exercise. We have encouraged boards to clearly articulate how environmental, social, and transformation objectives are embedded within strategy, risk oversight, and executive accountability. This includes ensuring that ESG-related KPIs are measurable, outcomes-based, and subject to the same level of scrutiny as financial performance metrics.

Finally, our stewardship activities have extended beyond formal voting to constructive engagement and ongoing dialogue with boards and management teams. Where concerns have been identified, we have sought engagement to drive improvement rather than relying solely on opposition votes. However, where engagement has not resulted in meaningful change, we have not hesitated to escalate our response through voting against resolutions, particularly in areas relating to remuneration, board composition, and capital allocation. This approach reflects our commitment to active ownership and to protecting the long-term interests of our clients.

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Our social stewardship priorities are informed by South Africa's unique socio-economic context, characterised by high unemployment, inequality, and a pressing need for meaningful economic inclusion. We therefore view social factors not as peripheral considerations, but as core drivers of long-term asset resilience, tenant sustainability, and licence to operate. Through ongoing engagement, we have encouraged investee companies to adopt fair employment practices that promote dignity, equity, and opportunity across all levels of the organisation.

We therefore view social factors not as peripheral considerations, but as core drivers of long-term asset resilience, tenant sustainability, and licence to operate.

In addition to gender equality, we have increasingly focused on workforce diversity, skills progression, and succession planning, particularly within management and technical roles where historical barriers to entry persist.

We have engaged with companies to better understand how talent pipelines are being developed internally, including mentorship, learnerships, and graduate programmes aimed at historically disadvantaged individuals. We believe that a more inclusive workforce enhances organisational stability, innovation, and long-term performance.

Board and senior leadership transformation remains a key engagement theme. Beyond headline BEE metrics, we have sought greater transparency on the depth and sustainability of transformation, including whether appointments are accompanied by meaningful participation, influence, and skills transfer. We have challenged boards to articulate clear timelines and measurable targets for transformation, as well as to ensure that diversity extends beyond race and gender to include experience, age, and independent thinking.

We have also placed growing emphasis on tenant and customer outcomes, recognising that REITs operate assets that play a critical role in local economies. We have encouraged landlords to support small and emerging businesses through flexible leasing structures, incubation initiatives, and preferential procurement where feasible. These initiatives not only contribute to local economic development but also enhance tenant diversity and the long-term vibrancy of retail and commercial properties.

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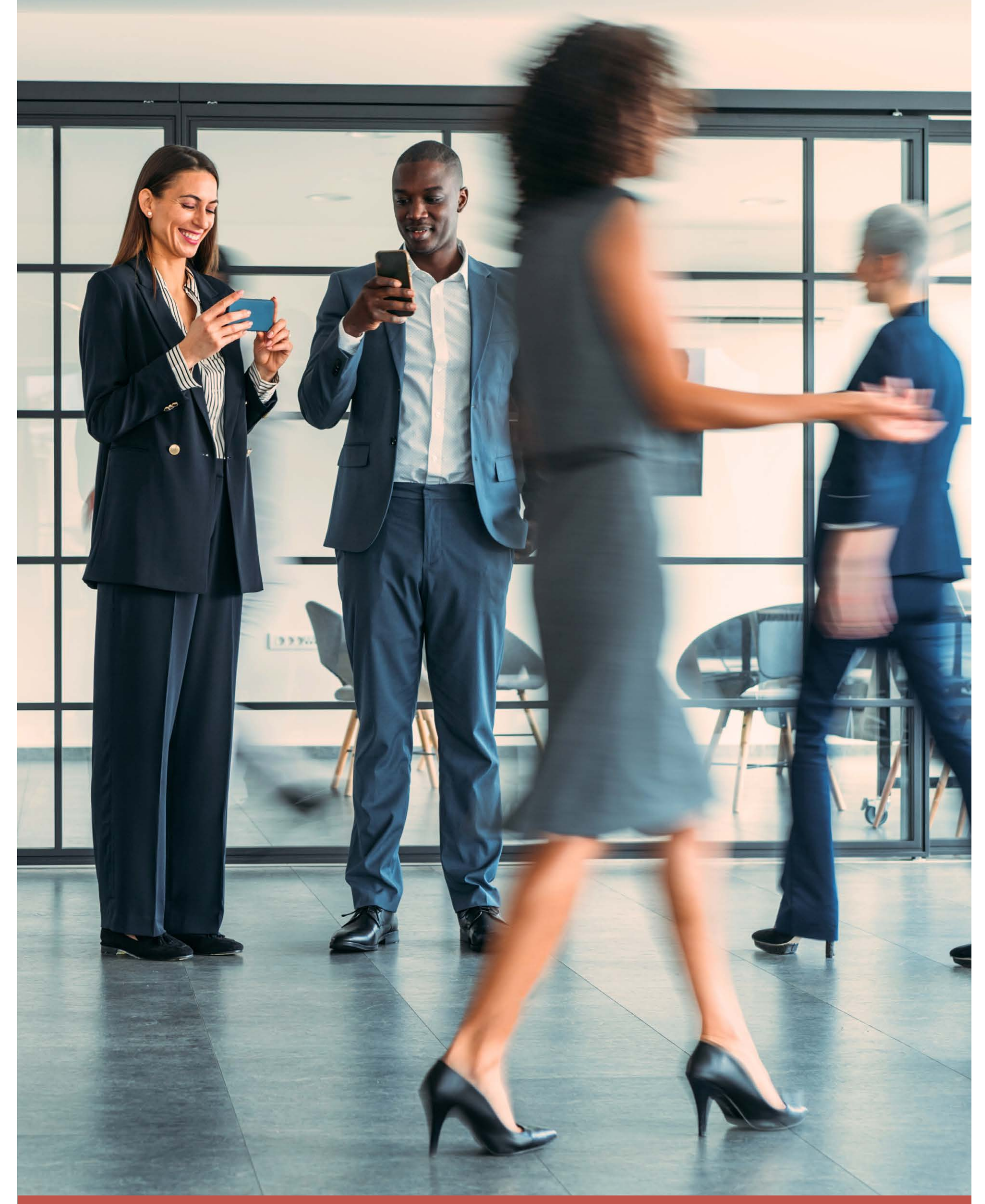
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Community engagement and social investment have been assessed through the lens of relevance, impact, and sustainability. We have engaged with REITs on ensuring that social investment programmes are aligned with the needs of communities in which assets are located, rather than being generic or ad hoc. Investments in education, skills development, and basic infrastructure have been particularly important where public service delivery is constrained, as these initiatives directly support the operational continuity of assets while delivering tangible community benefits.

Finally, we have encouraged companies to strengthen measurement and disclosure of social outcomes, moving beyond spend-based reporting to demonstrate impact. Clear reporting on employment equity, training outcomes, community investment effectiveness, and health and safety performance allows investors to better assess social risk and opportunity. As social expectations continue to evolve in South Africa, we will remain focused on driving improved social outcomes through active engagement, constructive dialogue, and disciplined stewardship practices.



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Environmental stewardship has become increasingly central to the long-term sustainability of real estate assets, particularly as property owners respond to shifting tenant expectations around health, resilience, and operational reliability. Demand for healthy buildings continues to grow as landlords seek to retain tenants and support leasing activity in an environment where the effects of the pandemic still influence occupancy decisions. We have engaged with investee companies on indoor air quality, energy reliability, and building resilience, recognising that these factors are now core components of asset competitiveness rather than discretionary enhancements.

Energy security and decarbonisation have been key engagement priorities. Most property funds have invested meaningfully in on-site electricity generation, particularly through solar PV installations, to mitigate load-shedding risk and reduce reliance on the national grid. While progress has been encouraging, implementation has often been constrained by slow approval processes, grid connection challenges, and restrictive local government regulations. We continue to engage with companies on their renewable energy roadmaps, while recognising that regulatory changes associated with South Africa's transition to a lower-carbon economy may impact the pace, cost, and feasibility of these initiatives.

We have also focused on how boards assess and manage transition risk arising from climate change and evolving environmental regulation.

We have also focused on how boards assess and manage transition risk arising from climate change and evolving environmental regulation. Older buildings that are energy- and water-intensive face increasing obsolescence risk, potentially impacting occupancy, rental growth, and asset values. We have encouraged companies to prioritise capital allocation toward retrofitting existing assets, improving energy efficiency, and aligning portfolios with future sustainability standards. As part of our investment process, we are increasingly incorporating the potential earnings and balance sheet implications of greening existing buildings into our risk assessments.



Environmental stewardship has become increasingly central to the long-term sustainability of real estate assets, particularly as property owners respond to shifting tenant expectations around health, resilience, and operational reliability.

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Water stewardship is a particularly critical environmental and social consideration in the South African context, given chronic water scarcity, ageing municipal infrastructure, and the increasing frequency of drought conditions. We have engaged with REITs to ensure the security and reliability of water supply across their portfolios by prioritising water-efficient building equipment, leak detection systems, and smart metering. Where feasible, we have encouraged the implementation of water harvesting, treatment, recycling, and on-site storage infrastructure. These initiatives not only reduce environmental impact but also protect asset operations, tenant continuity, and rental income in regions exposed to supply disruptions.

Developments and redevelopments represent another material source of environmental impact, particularly with respect to embodied carbon. We have encouraged companies, where practical, to incorporate recycled materials and to reuse components from obsolete or demolished buildings. This approach reduces construction-related emissions while often delivering cost efficiencies. We believe that environmental considerations should be embedded at the design phase, rather than addressed retrospectively, to avoid lock-in of inefficient building outcomes.

Disclosure of environmental and social information across the sector remains inconsistent, ranging from insufficient detail to overly broad reporting that limits comparability.

We have raised this concern with management teams, advocating for decision-useful, standardised, and comparable metrics that allow investors to assess performance, progress, and risk across portfolios. Improved disclosure is essential to support capital allocation decisions and to distinguish leaders from laggards within the sector.

In this regard, we welcomed the launch of the South African Real Estate Investment Trust Association Sustainability Disclosure Guide in November 2024. The SAREIT Sustainability Disclosure Guide provides a practical framework for sustainability and climate-related reporting, aligned with international standards while remaining relevant to local market conditions. We view this guide as an important step toward improving disclosure quality and consistency across South African REITs and have encouraged investee companies to align their reporting accordingly.

There is growing evidence that green buildings benefit from lower vacancy rates, improved tenant retention, and stronger rental outcomes. Progress has been made by sector leaders such as Growthpoint, Redefine, and Attacq, although significant work remains across the broader market, particularly in upgrading older assets. We will continue to engage with companies on accelerating this transition and to reflect environmental performance and transition readiness in our valuation and risk frameworks.

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05. Governance Case Study: Mas Real Estate

In mid-2025, PK Investments (PKI) kicked off a voluntary offer to buy out MAS Real Estate shareholders, initially proposing a cash and/or preferred-share offer and later increasing it to about €1.40 per share (~R29.22) backed by €230 million in funding, aiming to boost its stake and unlock value for investors; this bid was pitched as a way to address MAS's strategic and liquidity challenges, including disputes over how profits from the development joint venture (DJV) should be shared. Central to shareholder dissatisfaction was Prime Kapital's refusal to service its preference shares owned by MAS Real Estate, as well as the development margin fee of 3.75 % p.a. payable to Prime Kapital, which never previously disclosed to shareholders. At the same time, Hyprop launched a competing conditional voluntary bid offering MAS shareholders either R24 in cash or a share swap into Hyprop shares to build a controlling stake, but it withdrew its offer in July 2025 after MAS and Prime Kapital declined to provide full access to the DJV agreements that detailed terms like the development margin — citing governance and transparency concerns. With Hyprop out of the running, Prime Kapital's offer closed in mid-August 2025, resulting in shareholders tendering just over 14 % of shares, lifting PKI's stake to about 36.3 % (and ~49.4 % including concert parties) — falling short of full control but significantly increasing its holding and setting the stage to address DJV profitability and potentially resume dividends.



Our actions during the process included:

- Engagement with the board of directors, including the Chairman, highlighting related party issues.
- Engagement with the JSE around material potential breaches of JSE listing requirements.
- Support for an Extraordinary General Meeting to be held to appoint new directors to be added.
- Voting against all resolutions proposed by MAS at its AGM, where both remuneration policies ultimately failed.

05. Social Case Study: Vukile Property Fund

The Vukile Retail Academy is a practical initiative designed to broaden participation in the retail sector by supporting community-based and emerging entrepreneurs. By enabling new retailers to establish a presence in shopping centres, the academy enhances tenant diversity while introducing fresh and locally relevant retail offerings for shoppers.

Launched in 2022, the programme has already delivered meaningful outcomes. The inaugural cohort comprised nine emerging retailers who were provided with rent-free retail space totalling 1 035m², along with support for store fit-outs. This allowed participants to test, refine, and grow their business models in a live retail environment. In addition, retailers received structured mentorship focused on developing a strong business mindset, improving operational capability, and strengthening customer engagement.

The programme has demonstrated its ability to support long-term sustainability.



Source: <https://startupmag.co.za/2022/10/vukile-property-fund-introduces-the-vukile-retail-academy/>

The programme has demonstrated its ability to support long-term sustainability. From the 2023 Dobsonville cohort, Fakizinto Concepts and Zanwabo Cakes successfully transitioned into permanent tenants. Similarly, the 2024 Randburg cohort saw Lonja Beauty Studio, Edenvinne, Vero's Cake, and Jeleni & Phindi Art Studio secure full-time tenancy. In 2025, the academy introduced an emporium-style concept at Daveyton Mall, housing multiple entrepreneurs under one roof. This cohort includes Paeprido Elegance Events, Game on Africa, and apparel and accessories brands Cossen, Thesis Lifestyle, and Seven Heart Beats, some of which are now expanding into additional locations.

05. Social Case Study: Vukile Property Fund

The academy's impact extends beyond retailers to the development of future property professionals. Naledi Shoji's journey illustrates this commitment. Selected as a bursary recipient based on her academic excellence and interest in the property sector, Naledi completed her BSc Honours in Real Estate at the University of Pretoria, graduating cum laude in 2024.

She subsequently joined the internship programme, where she gained practical experience, industry mentorship, and exposure to the operational dynamics of a listed property business. Following a strong performance during her internship, Naledi was appointed as a Treasury Analyst at Vukile Property Fund. Her progression reflects the academy's role in building skills, enabling transformation, and creating tangible career pathways within the property sector.

The academy's impact extends beyond retailers to the development of future property professionals.



Naledi Shoji, Treasury Analyst at Vukile Property Fund Limited

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05. Environmental Case Study: Hyprop Invt.

Hyprop Investments has embedded waste management as a core component of its environmental stewardship strategy, aimed at reducing environmental impact while enhancing operational efficiency and stakeholder trust. The approach supports long-term business sustainability and delivers tangible benefits to the communities in which the Group operates. During FY2025, Hyprop accelerated its waste diversion initiatives, strengthening recycling performance across its South African retail portfolio.

A key milestone has been the Group's progress toward Net Zero Waste (NZW) certification, with applications being finalised for Canal Walk, Woodlands, Somerset Mall, The Glen and CapeGate. These centres achieved average recycling rates of 70% or more over a 12-month period, contributing to a portfolio-wide recycling rate of 77% in FY2025, up from 68% in the prior year. This improvement reflects both enhanced waste segregation practices and improved data collection, allowing for more targeted interventions and effective performance monitoring.

Organic (food) waste management remains a priority, driven by sustainability objectives and compliance with Western Cape legislative requirements. All South African retail centres now separate organic waste at source, with material diverted to licensed composting facilities.



In FY2025, 1 130 tonnes of organic waste were recycled, delivering carbon savings of 814 tCO₂e and marking a meaningful year-on-year improvement. These initiatives have been underpinned by the establishment of a comprehensive waste baseline, enabling the identification of further diversion opportunities and supporting Hyprop's long-term goal of achieving NZW across its South African portfolio.

Looking ahead, Hyprop is focused on securing NZW certification for the initial five centres and preparing for the Western Cape's 2027 ban on organic waste to landfill.

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05. Environmental Case Study: Hyprop Invt.

While potential challenges remain — including municipal administrative delays, rising disposal costs and volatility in recycled material markets — the Group is proactively strengthening partnerships with waste service providers and exploring cost-effective alternatives to landfilling. This disciplined and forward-looking approach positions Hyprop well to manage risks while continuing to deliver measurable environmental and operational benefits.



Canal Walk Mall
Source: <https://www.hyprop.co.za/south-africa.php>

CONTACT DETAILS



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