



2024

Integrated report



Welcome to our integrated report

We are pleased to present our integrated report for the year ended 31 August 2024.

Octodec Investments Limited (Octodec or the company), its subsidiaries, and associated company, collectively “the group,” is a Real Estate Investment Trust (REIT). Established in 1956, we have been listed on the Johannesburg Stock Exchange (JSE) since 1990 and on the A2X (South Africa) since 2023. Octodec acquired REIT status in 2013.

A refreshed reporting approach

This integrated report was restructured to align with our business model and convey Octodec's value creation story and City Property's role as the asset and property manager. Our reporting suite now includes separate targeted reports to better meet stakeholders' information needs.

While we have refreshed our reporting suite and the structure of this report, we have retained alignment with the International Integrated Reporting Framework and reporting best practices. For a summary of our compliance with the International Integrated Reporting Framework, see page 79.

Directory

Welcome to our integrated report	1
This is Octodec	2
Then and now	2
The material matters that shape our business	7

The inputs into our business model 10

Chairman's review	10
Capital inputs overview	13
Our context	14
– Our material risks	15
– Stakeholder engagement	18



Our business activities 24

A property portfolio that differentiates us	24
A strategy for growth	36

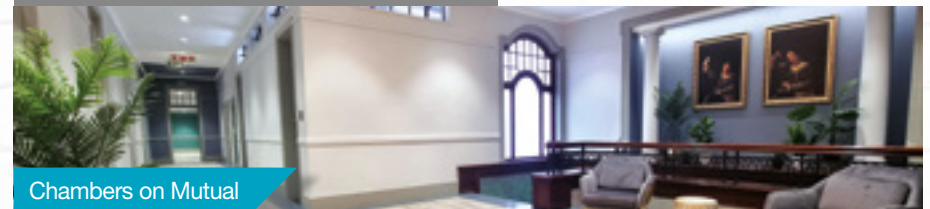


The performance outputs of our business model 38

Our COO's reflections on 2024	38
Operational performance	39

The value creation outcomes of our business model 46

Insights from our chief executive officer	46
Capital outcomes overview	48
Financial outcomes	49
Financial director's review	50
The importance of ESG	56
Our commitment to environmentally responsible outcomes	57
Our social impact story	61
Remuneration summary	75



Chambers on Mutual

Appendices 78

Analysis of ordinary shareholders	78
Compliance with <IR> Framework	79
Glossary	80
Corporate information	81



Our reporting suite

This integrated report

Reporting to financial capital providers and interested stakeholders on strategy, performance, and prospects impacting enterprise value.

Governance report and remuneration review

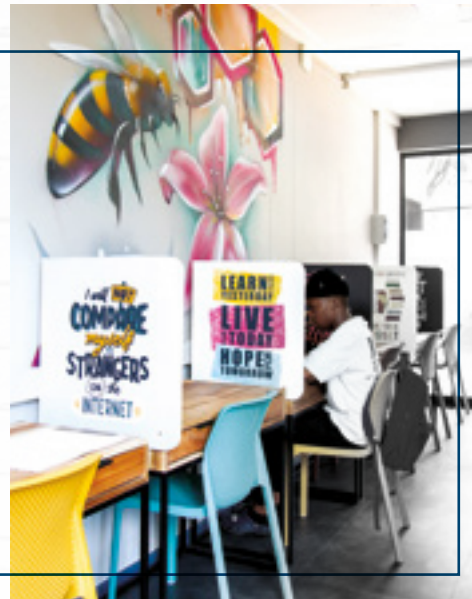
Reporting to all stakeholders on governance structures, processes, and policies aligned with the King Report on Corporate Governance™ (King IV™)¹ principles, including remuneration.

Annual financial statements (AFS) and results presentations

Primarily reporting to shareholders, the investment community, and analysts on the group's financial position and performance.

Notice of annual general meeting (AGM) and proxy form

Reporting to shareholders and investors to consider when voting at the AGM.



Reporting scope and boundary

Integrated reporting boundary

Financial reporting boundary

This report encompasses the comprehensive performance of the Octodec property portfolio.



Where you see this logo, Octodec executes most of the activities in that section.

Asset and property management, and certain specialist services, are outsourced to City Property.



Where you see this logo, City Property executes most of the activities described in that section.

This report does not always distinguish between Octodec's activities and the services City Property provides to Octodec in terms of its management agreement, as these are performed under Octodec's directive. Refer to page 3 for our group structure. The management agreement is available on our website.

This report's content remains comparable with previous years, with material performance information reported on a like-for-like basis, excluding the impact of property disposals. There are no restatements of comparative information unless indicated. There were no significant changes to the group's size, structure, ownership, or the key functions it controlled during the year.

This integrated report is presented following the principles, requirements, standards and guidance of the:

- Companies Act, No 71 of 2008 (Companies Act)
- Listings Requirements of the JSE Ltd (JSE Listings Requirements)
- International Integrated Reporting Framework
- King IV™

Octodec has not sought external assurance for the non-financial information in this report. Our separately published audited financial statements comply with International Financial Reporting Standards (IFRS) and were audited by Ernst & Young Incorporated.

Forward-looking statements

This report contains forward-looking statements subject to factors beyond our control, which may cause actual results to differ from anticipated outcomes. Changes in the economic environment and market conditions may impact Octodec's performance, and stakeholders should consider this when reviewing the report.

Board approval

The board is responsible for the integrity of this integrated report. The directors confirm that they have reviewed the integrated report and supplementary reports, and believe they accurately represent Octodec's approved material matters and performance in line with the International Integrated Reporting Framework.

The board approved the report on 20 November 2024.

¹ Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.



This is Octodec

Then and now

Our legacy

Octodec has, for six decades, consistently unlocked value in urban spaces through property redevelopment and community involvement.

Founded by Alec Wapnick in 1956, Octodec derived its name from Octodecim, the Latin word for 18, representing its original 18 shareholders, including the Wapnick family, who remain core shareholders. In 1968, Alec Wapnick established City Property as a private, specialised property and asset management company to serve the Wapnick family assets and those of other clients.

Throughout its history, Octodec has acquired numerous properties in Johannesburg and Tshwane, spearheading transformative projects such as The Fields in Hatfield and other redevelopments. We pioneered converting unused office spaces into residential units in the Tshwane Central Business District (CBD), addressing the demand for quality and affordable accommodation. As early as 1998, we completed our first conversion project, marking the beginning of a longstanding commitment to providing exceptional residential solutions in the heart of the city.

Although we remain committed to innovation, the challenging economic conditions since 2020 have constrained our ability to acquire properties and pursue new conversion projects.

The Fields – 2007 to 2014

Development commenced in 2007 with the construction of the first block and the precinct was completed in 2014.

Before



After



Kempton Place – 2010

Upgrade of existing apartments and newly built apartments.

Before



After



Jeff's Place – 2014

The derelict building was demolished and replaced with Jeff's Place.

Before



After



Sharon's Place – 2018

Old style shopping centre, Centre Forum, was demolished and replaced with the mixed-use building Sharon's Place.

Before



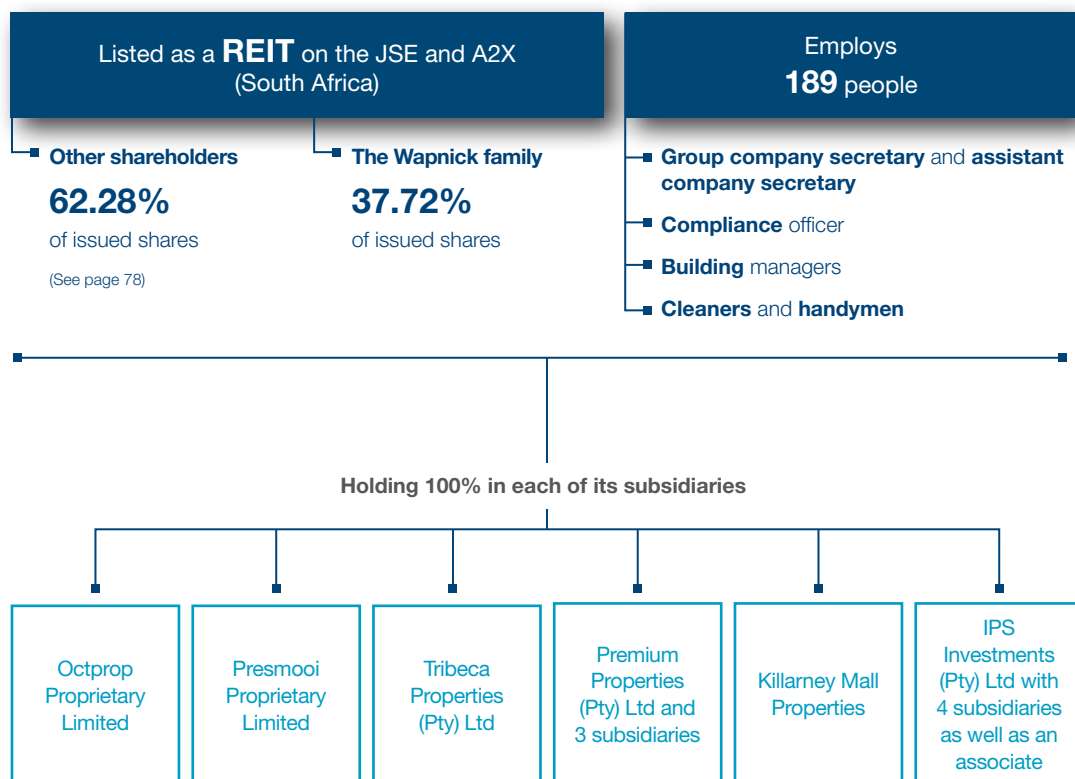
After



Our group structure



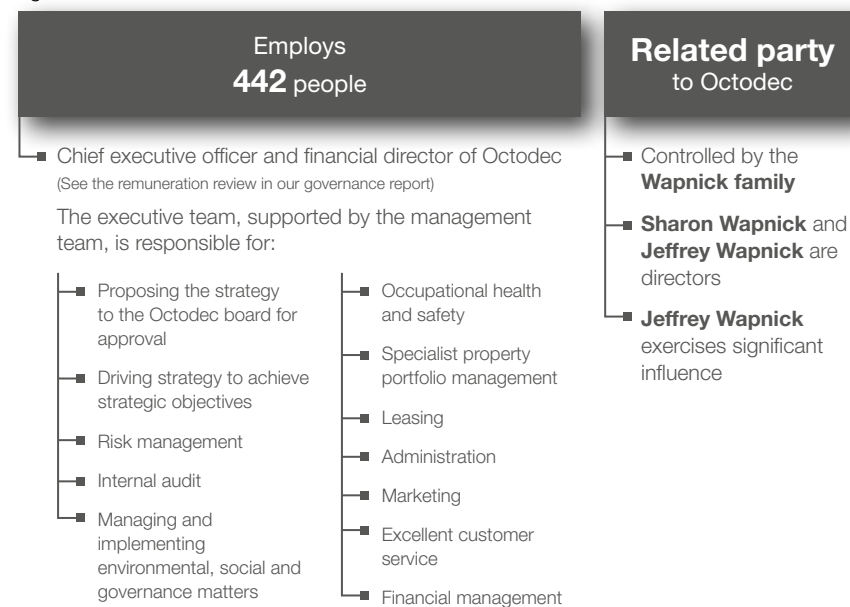
The Octodec board oversees and monitors City Property's outputs under the management agreement between City Property and Octodec.



CITY PROPERTY

Addressing the Future

City Property is responsible for managing Octodec's properties under the management agreement.



City Property's know-how sets our business apart and is a key driver of our sustainable growth.

How we operate today

We maintain a balanced portfolio of quality residential and commercial buildings.

Our well-managed mixed-use spaces create dynamic and convenient community ecosystems for residents, students, office workers, shop owners, and entrepreneurs. This supports mutually beneficial economic environments where our tenants thrive.

Location is key to our success, with our properties valued at R11.2 billion.



Residential

35% of our portfolio income

Octodec's residential units offer accommodation for young professionals, families, and students, with access to:

- An array of retail offerings
- Reduced commute time for tenants
- Affordable, secure housing options
- Safe play and recreation areas

We house 8 894 residential tenants in 9 140 units.



Commercial

65% of our portfolio income

Our commercial portfolio caters to retail, office and industrial tenants, offering access to:

- Retail spaces with high foot traffic
- Pockets of affordable space for small businesses
- Secure, access-controlled spaces for small industry

We provide places of work for 3 501 retail, office, and industrial tenants.

We manage our portfolio by maintaining strong property fundamentals and focusing on urban renewal in the Tshwane and Johannesburg CBDs and surrounding urban areas of Gauteng. Our geographic concentration generates economies of scale and efficiencies.

Our top 10 properties

The Fields, Tshwane

Killarney Mall,
Johannesburg

Sharon's Place,
Tshwane CBD

Waverley Plaza,
Tshwane

Centre Walk,
Tshwane CBD

Woodmead Value Mart,
Johannesburg

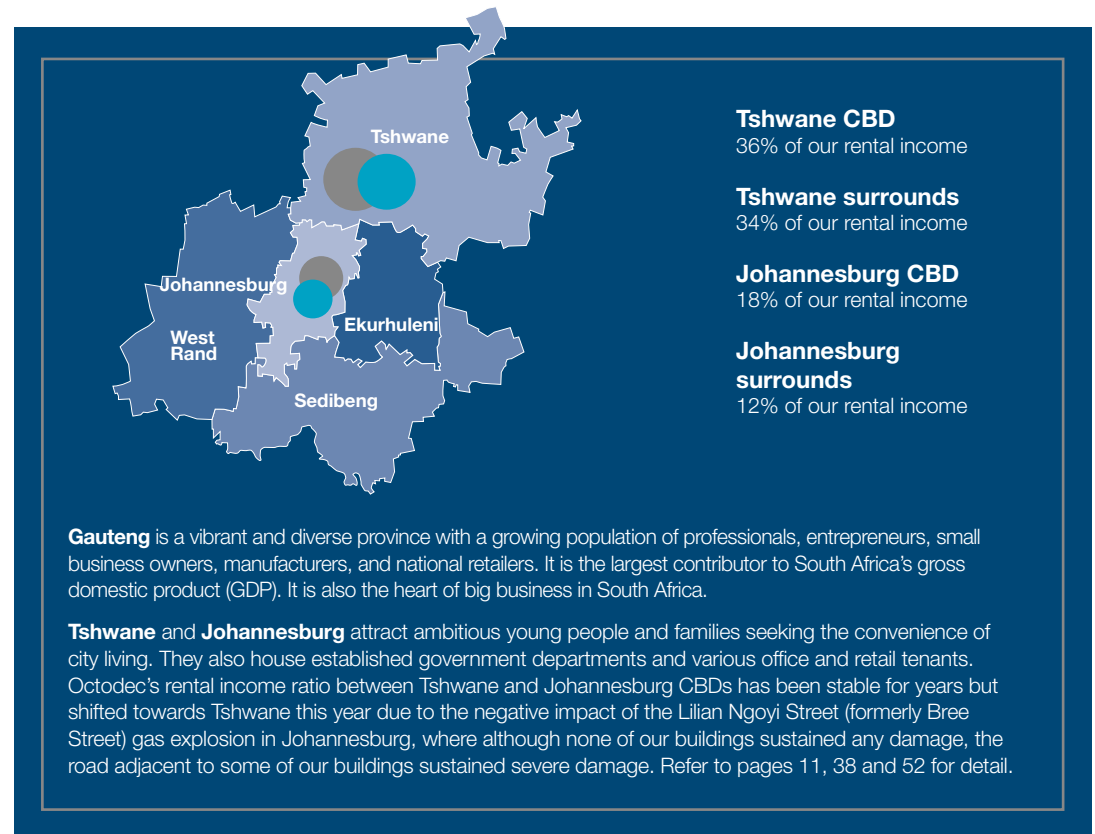
Louis Pasteur,
Tshwane CBD

Kempton Place,
Johannesburg

The Park Shopping Centre,
Tshwane East

Jeff's Place,
Tshwane CBD

Read more about the portfolio's performance from page 38 and our top 10 properties from page 26.



We focus on stakeholder interests and community needs, transforming buildings into thriving ecosystems.

Our vision

is to innovate and create sustainable economic value by investing in a multi-sector property portfolio.

Our offices, apartments, retail spaces, and warehouses are fit-for-purpose, modern and sustainable.



Bank Towers

Our purpose

is to manage our properties cost-effectively and provide sustainable returns to shareholders while maintaining the integrity of operations and the sustainability of our property portfolio.

As a responsible corporate citizen, we strive to achieve our vision and purpose while considering the interests of stakeholders. We are invested in the community's needs and work with them towards a visionary future. By transforming buildings, we create thriving community ecosystems where people aspire to live, work, shop, and play.

We create the cities of tomorrow, today.



The Fields

Our core values

- Honesty and integrity are our foundation
- Quality is our cornerstone
- We dare to pave the way
- We paint our cities with passion
- We make it happen

Our strategy guides our business activities in pursuit of our vision. Our strategic objectives are:



To enhance our property portfolio by developing our buildings and nodes, investing in renewable energy and water efficiency solutions, acquiring new properties and disposing of non-performing assets.



To create sustainable value for stakeholders by enhancing our tenant offering, managing retention, reducing vacancies, and controlling costs.

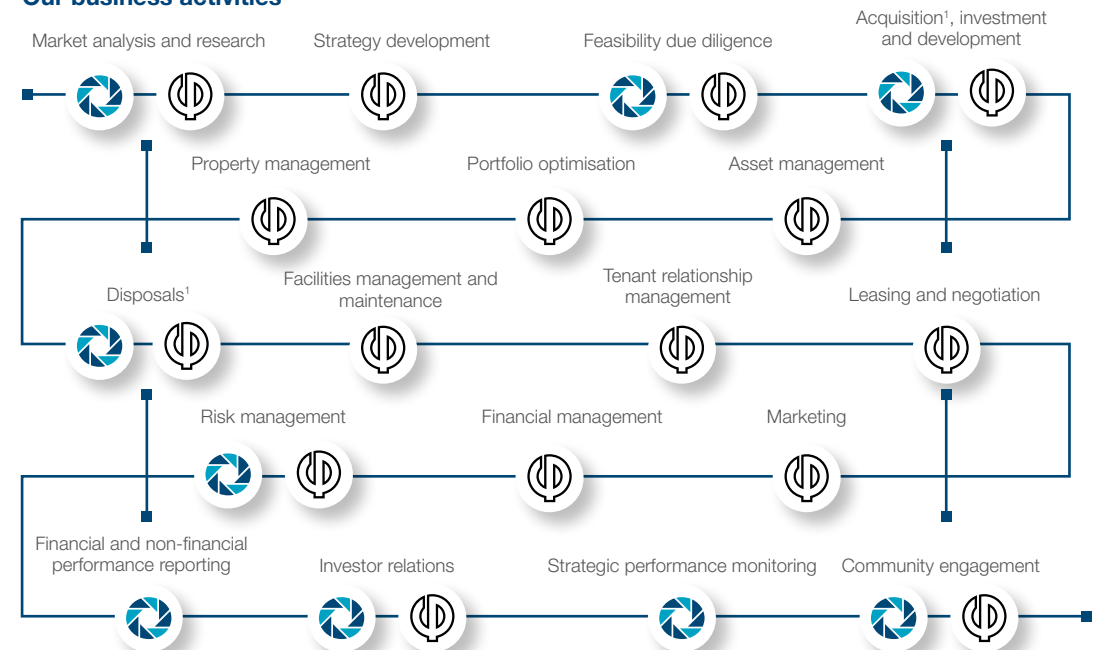


To manage our balance sheet and funding structure by maintaining diverse funding sources, a balanced borrowings maturity profile, gearing levels below 40%, and mitigating interest rate risk with derivatives and hedging.



To enhance our human capital by cultivating a performance-driven, transformative, and compliant environment, attracting and developing skilled individuals, and embedding a culture that aligns vision and values with behaviour.

Our business activities



¹ Under the management agreement, City Property provides a comprehensive service, including the acquisition and disposal of Octodec assets.

Read more about our strategy and business activities from page 36.



A snapshot of our 2024 performance

Financial

■ Increase in revenue of
4.1%
to R2 076.4 million
(2023: R1 995.1)

■ Distributable income after tax (REIT
funds from operations) of
R421.9 million
(2023: R455.8 million)

■ Distributable income per share of
158.5 cents
(2023: 171.2 cents)

■ Dividend per share of
125.0 cents
(2023: 135.0 cents)

■ Cash generated from operating
activities before dividend payment of
R432.6 million
(2023: R447.2 million)

■ Loan-to-value (LTV) of
39.2%
(2023: 37.7%)

■ All-in weighted average cost
of funding of
9.5%
(2023: 9.2%)

■ Net asset value (NAV) per share of
R23.97
(2023: R24.24)

Non-financial

■ **60**
generators installed

Covering
49% of GLA

■ **3 127 883 kWh**
solar power generated

Covering
6.3% of GLA

■ **20**
New smart water meters installed at our properties,
bringing the total installed to
47

■ Octodec leased affordable apartments with play areas
for children, entertainment areas for family and friends,
laundry facilities, and free Wi-Fi to
16 089 people

■ **R281 million**
spent on procurement from black-owned companies,
which represents
23%
of total procurement

■ Octodec is an official partner in a nationwide initiative
dedicated to providing
3.6 million meals
to preschool children in need

The material matters that shape our business

Our reporting process is guided by the principle of materiality. We define material matters as topics that are important to us and our stakeholders and that are strategic to Octodec's ability to create value in the short, medium and long term.

On 26 April 2024, Octodec and City Property executives conducted a material matters review to assess the factors affecting value creation and preservation.

This review considered the challenging context of South Africa's poor infrastructure, weak economy, political dynamics, and safety concerns. It also considered our top risks, opportunities and strategic alignment.

After thorough deliberation, we validated the 2023 material matters and their relevance for 2024. All material matters remain relevant but were refined and reordered based on the current operating environment. Refer to page 14.

The board of directors considered and approved the revised material matters on 7 August 2024.

A new political landscape and the challenges and opportunities for South Africa and the economy

Financial and impact materiality

After this year's national elections, South Africa is governed by a government of national unity (GNU). Although the GNU has been well received both locally and internationally, the GNU will have to find common ground among the different parties and deliver on its promises if it is to succeed. The new political landscape can result in growth opportunities but, at the same time, if it does not succeed, the risks to the country are high, impacting financial markets, raising the potential for social unrest, and negatively impacting economic and business activity.

Our actions

- Remain agile and flexible to take advantage of emerging opportunities and address issues when they arise

Capitals impacted

Financial
Manufactured
Social and relationship

Key accountability



Read more

Chairman's review, page 10

Poor economic climate

Financial materiality

Treasury predicted South Africa's growth at 1.3% for 2024, which most rating agencies considered optimistic. This challenges our ability to grow our business, increase distributions and enhance shareholder value. Tenant affordability issues have resulted in increased vacancies and limited our ability to raise rentals in line with inflation. Developments and refurbishments do not yield the required returns, and higher material costs and a weaker exchange rate have raised construction costs, limiting investment opportunities.

Our actions

- Dispose of non-performing assets and reinvest proceeds into earnings-enhancing assets to grow organically
- Investigate the acquisition of property to expand our portfolio
- Balance developing and refurbishing buildings with maintaining a healthy balance sheet
- Take a considered approach to major new developments, considering trade-offs
- Focus on tenant retention with value-adding initiatives and refurbishments

Capitals impacted

Financial
Manufactured

Key accountability



Read more

Our context, page 14
Financial director's review, page 50

Unstable electricity supply

Financial and impact materiality

Despite reduced load shedding since April 2024, Eskom and municipal power failures have impacted our business and tenants, affecting their operations and increasing vacancies. The cost of ensuring a reliable power supply further exacerbates the challenge.

Our actions

- Provide generators for residential and commercial buildings
- Expand alternative energy sources, including additional solar installations for sustainable, cost-effective solutions where possible

Capitals impacted

Financial
Manufactured
Social and relationship
Natural

Key accountability



Read more

Our COO's reflections on 2024, page 38
Operational performance, page 39

The confidence of investors, analysts and potential tenants in the long-term outlook of CBDs

Financial and impact materiality

Dysfunctional municipalities hinder our and our tenants' business operations. Older infrastructure in CBDs requires frequent maintenance and replacement, and is impacted by poor service delivery issues, making it challenging and costly for Octodec to maintain spaces for tenants. Investors view this as a growth impediment.

Our actions

- Profile Octodec's diverse portfolio to enhance the understanding of our risk mitigation capabilities
- Promote the business and residential advantages of CBDs to potential tenants and their customers
- Maintain regular engagement with the City of Tshwane, Johannesburg Metropolitan Municipality and other CBD stakeholders to address service delivery challenges
- Collaborate with City Improvement Districts (CIDs) and similar organisations to enhance CBD safety and cleanliness

Capitals impacted

Financial
Manufactured
Intellectual
Social and relationship capital

Key accountability



Read more

Chairman's review, page 10
Financial director's review, page 50
Insights from our chief executive officer, page 46

Unreliable water infrastructure

Financial and impact materiality

Municipal water supply issues harm our business, as tenants expect quality water. The increasing costs associated with ensuring a reliable water supply further compound the challenge.

Our actions

- Explore sustainable water management solutions
- Equip buildings susceptible to water interruptions with emergency water supply access points and water storage tanks
- Investigate sustainable alternative water sources, and develop a water resilience strategy

Capitals impacted

Financial
Manufactured
Social and relationship
Natural

Key accountability



Read more

Our COO's reflections on 2024, page 38
Operational performance, page 39



Blaauw Village

The Octodec and City Property relationship

Financial materiality

City Property's performance directly influences Octodec's success.

Our actions

- Manage this relationship prudently with independent governance oversight and effective risk management to maintain service standards
- Ensure transparent reporting, open communication and trust
- Oversee critical aspects affecting property management:
 - › Culture, human capital, and succession planning
 - › Safety, health, environment, and quality
 - › IT systems, infrastructure, and cybersecurity measures

Capitals impacted

Financial
Intellectual
Human

Key accountability



Read more

Our group structure, page 3
Chairman's review, page 10
Operational performance, page 39
Governance report

Community upliftment in the nodes we operate in

Financial materiality and impact materiality

Octodec operates in an integrated manner with the communities around our buildings. Economic constraints necessitate supporting and uplifting these communities, making stakeholder management crucial for our and our tenants' survival.

Our actions

- Engage tenants to understand their needs, gather feedback through our CRM system surveys, and implement changes to enhance service and satisfaction
- Collaborate with stakeholders to enhance the quality of life in our operating areas
- Innovate residential offerings to provide affordable rental options

Capitals impacted

Financial
Intellectual
Social and relationship

Key accountability



Read more

Engaging with our stakeholders, page 18
Insights from our chief executive officer, page 46
Our social impact story, page 61

Dynamic and evolving tenant requirements

Financial materiality

Our tenants' needs constantly evolve, requiring innovation and flexibility from Octodec. Technological advancements drive consumer expectations. Meeting tenants' needs for quality, affordability, desirability, and superior service is crucial.

Our actions

- Enhance our competitive value proposition through innovation
- Invest in long-term renewable energy solutions
- Invest in alternative water solutions and manage water efficiency
- Balance the cost of meeting evolving expectations with tenant affordability

Capitals impacted

Financial
Manufactured
Intellectual
Natural

Key accountability



Read more

Chairman's review, page 10
Our COO's reflections on 2024, page 38
Operational performance, page 39
Insights from our chief executive officer, page 46



Yethu City

The inputs into our business model

Chairman's review



Sharon Wapnick

Chairman

Octodec's results reflect the challenges of doing business in South Africa. However, with a renewed commitment to adaptability and growth, the board is optimistic about navigating the evolving political and economic landscape with resilience and strategic foresight.

There were headwinds in 2024

This past year has been marked by caution and uncertainty in the political and economic landscapes. Due to the unpredictability surrounding the elections, much of the year was spent in a holding pattern, as South African businesses hesitated to take bold steps without clear direction.

The GNU has been well-received and now its success hinges on delivering on its promises and driving meaningful reforms in South Africa's governance.

Following the elections, South Africa is governed by a GNU. The new political landscape could present growth opportunities and there is a sentiment of hope and renewed optimism surrounding the new government. Success however hinges on stabilising the economy and realising much-needed growth to mitigate social unrest and enhance investment.

South Africa's economic outlook directly influences Octodec's potential to grow the business, increase distributions and enhance shareholder value. The group has been hit hard by factors beyond our control, particularly high interest rates. While hopeful for relief, we must confront the current economic realities head-on. Tenant affordability issues drive higher vacancies and limit our ability to adjust rentals with inflation. In addition, increases in building material costs and a weak exchange rate pushed up building and maintenance expenses, thereby limiting our investment opportunities.

Local councils remain a significant concern. Inefficiencies and under-delivery have had a substantial impact on our tenants and their businesses.

Although load shedding has been suspended since April 2024, power failures in local municipalities continue to impact our business and tenants, increasing the risk of vacancies. Municipal water supply issues also affect the business, as tenants expect a reliable water supply. The additional costs to ensure power and water reliability have added to operational expenses.

The unresolved issues surrounding the gas explosion that took place in Lilian Ngoyi Street in the Johannesburg CBD in July 2023, underscore the dire consequences of council inaction. It is disheartening to pay rates and taxes without receiving adequate value. The burden on business to maintain order has become very onerous and is negatively impacting business performance.

Octodec delivered below-expectation results

Despite these challenges, Octodec must remain agile and responsive to our evolving operating environment to ensure long-term survival and success.

The board, in its oversight role, has closely monitored the group's performance and while we are not entirely satisfied with the results, we believe that the group has made headway in some regards and has mitigating strategies in place.

The actions taken to address tenant challenges, including power and water supply issues during the period are notable. Octodec and City Property responded by providing generators, installing solar power systems, implementing sustainable water management, equipping vulnerable buildings with water tanks, and exploring alternative sources such as boreholes.

Leasing is a key area for improvement. The executive vacancy in the City Property leasing department has been filled and the function has stabilised. This should support enhanced performance in the year ahead. Additional focus will also be given to the slow progress in property disposals for the new financial year.



The results are discussed in more detail in the chapter dealing with the performance outputs of Octodec's business model (page 38) and the financial director's review (page 50).

We are mindful that to successfully operate in this challenging environment, we need to continue to be solutions-driven and management is committed to tackle the challenges with renewed vigour. We have highlighted some of the pressing issues and action plans are in place for both Octodec and City Property to aggressively maximise the potential of our assets and take decisive actions to overcome obstacles and boost distributable income.

Key areas of board oversight

Financial director and CEO succession

Succession planning has been a key focus, particularly with Anabel Vieira retiring as Octodec's financial director. Riaan Erasmus, currently with City Property and integral to the financial team, will succeed her as financial director. Riaan will also take on the position of deputy chief executive officer at Octodec, with a specific mandate to optimise the Group's property portfolio and assessing of the merits of the internalisation of the asset and property management services currently provided by City Property. Riaan will be employed by Octodec, with Octodec now employing its executive director, versus City Property having employed the executive directors to date.

Riaan graduated from the University of Northwest and qualified as a Chartered Accountant (South Africa) in 2008 after completing his articles with KPMG South Africa. He has extensive experience serving as an executive director, having previously held the positions of group financial manager, treasury manager and later, debt officer and financial director of Hospitality Property Fund Limited, a real estate investment trust (REIT) that was listed on the JSE until 2021. In addition, Riaan served as the group treasurer managing the debt portfolio and other treasury-related transactions for the Tsogo Sun and Southern Sun group of companies from 2017 until 2022.

He has been well-prepared for this role through deliberate, planned succession and close collaboration with Anabel over the past two years. His appointment is effective from 30 November 2024.

The board is confident in Riaan's ability to seamlessly transition into these new roles, providing the necessary expertise and continuity required by Octodec, and ultimately, as the successor to Jeffrey Wapnick, the current CEO of Octodec.

Board skills, experience and effectiveness

Our experienced board acknowledges the importance of renewal. While finding suitable candidates presents challenges, we will make appointments as needed. We remain focused on assessing our composition and effectiveness. Each of our directors has diligently supported open dialogue, collaboration and debate throughout the year, taking necessary steps to mitigate risks, enhance systems and ensure that the appropriate skills are available on the board and within Octodec and City Property.

The management agreement between Octodec and City Property

Last year's renewal of the management agreement between Octodec and City Property did not receive an overwhelming level of shareholder backing, with some feedback received suggesting a preference for internalising the management function. While the board is actively considering this, the process needs thorough due diligence and assessment of the complexities and long history. Octodec's relationship with City Property remains strong, open, and transparent. Their strategic management services are invaluable, helping Octodec develop and execute strategies and optimise returns. The board is committed to thoroughly exploring whether internalisation will benefit Octodec and its shareholders, and we will ensure that shareholders are informed of any significant developments. Internalising the management functions would be challenging but not impossible.

There is reason for cautious optimism

The board is confident that the Octodec and City Property teams are prepared to do the hard work with renewed vigour. As always, we remain committed to supporting tenants and building a strong community.

We are optimistic about positive changes in South Africa's governance landscape. With the GNU in place and improvements at local councils, we anticipate a more favourable environment in the coming year, allowing businesses to proceed with greater confidence. While the high-interest rate environment has been challenging, the Reserve Bank reduced the repo rate by 0.25 basis points in September, marking its first rate cut in over four years. This together with an improved exchange rate, should enhance our financial performance.

South Africa holds significant investment potential, and increased stability could boost its attractiveness to investors. Positive sentiment has the power to drive substantial improvements in business performance.

Although this year's results did not meet our expectations, we see considerable potential for improvement and recognise the need for renewed energy in executing the strategy. We acknowledge our stakeholders' efforts. We hope the GNU will fulfil its election promises and remain accountable to the people of South Africa.

The recent commitments made to inner-city renewal, specifically in Johannesburg, are encouraging and Octodec is eager to engage and partner with government to drive progress.

A special thanks goes to Anabel for her invaluable contributions as financial director. Her leadership has been instrumental to our success, and while we will miss her, we are confident that Riaan will build on her legacy. We wish him every success in his new roles.

I also thank Derek Cohen, who will be retiring as a director of the Board at the company's forthcoming AGM for his loyal and dedicated service to the company in his roles as director, lead independent director and Chairman and member of the Nominations, SERT and independent sub-committees and for being a source of support to me, and welcoming Pieter Strydom, an existing member of the board who has taken over those positions from 2 October 2024.

I thank my fellow board members, management, and the Octodec and City Property employees for their dedication and support during this challenging year. Each has played an integral role in furthering Octodec's impact and ability to create sustainable value for stakeholders. Octodec deeply values its tenants. We take pride in providing quality accommodation and supporting our tenants, particularly in light of challenges from local councils. We consider ourselves part of a community where our prosperity and success are closely connected. Octodec remains highly relevant to our investors and presents a compelling investment opportunity, with our share price still well below net asset value. While the headwinds we have faced have been significant, such challenges are part of doing business. We have learned from these experiences and will always become more and more adept at navigating similar circumstances in the future.

Thank you for your ongoing trust and support.

Sharon Wapnick
Chairman

Capital inputs overview

Financial capital

Our financial resources and prudent financial management provide a strong foundation for Octodec.

We have equity amounting to R6.4 billion and debt funding totalling R4.4 billion. We also have unutilised banking facilities of R679.0 million available on demand, ensuring the financial capital necessary to support operations and strategic initiatives.

Refer to the financial performance review on page 50.

Key accountability:



Manufactured capital

Our property portfolio consists of well-located and attractive residential, commercial, and mixed-use spaces. The properties are valued at R11.2 billion and have a total gross lettable area (GLA) of 1 524 479m².

This year, we invested R182.7 million in our properties and spent an average of R8.7 million per month on repairs and maintenance.

Refer to the operational performance review on page 39.

Key accountability:



Intellectual capital

City Property's brand equity and expertise provide a significant competitive advantage. We leverage their extensive financial, property and asset management knowledge to enhance our operations and strategic initiatives.

City Property's newly established innovations team ensures we remain relevant and offer unique solutions for tenants (see page 41).

Key accountability:



Human capital

Our 189 employees possess a deep and broad range of expertise.

Our dedicated building managers, cleaning employees and handymen are crucial in managing our portfolio and addressing our tenants' needs.

City Property's executive and management teams are supported by a strong and skilled Octodec board, a qualified group company secretary, and a compliance officer (see page 70).

Key accountability:



Social and relationship capital

We are committed to positively impacting the areas where we operate through our strong connections with local communities.

We invested:

- R20.2 million in our supplier development programme, supporting growth and opportunities for local businesses (see page 64)
- R2.8 million in social upliftment efforts, enhancing the quality of life and well-being of our communities (see page 65)

Key accountability:



Natural capital

We are dedicated to sustainable practices in managing the natural resources used by the group and our tenants.

Our efforts in water, energy, and waste management reflect this commitment.

Over 1 524 479m² GLA, we manage the consumption of 1 486 309 kl of water and 117 635 772 kWh of electricity to ensure efficient use and minimise environmental impact.

Refer to our environmental outcomes on page 57.

Key accountability:



Refer to page 48 for an overview of our value creation outcomes across each capital.

Our context

Our economic environment

Global economic outlook

The International Monetary Fund (IMF) forecasted global economic growth at 3.2% annually through 2025, with advanced economies slightly accelerating and emerging markets slowing.

Long-term global growth is projected at 3.1%, a historic low.

South Africa's challenges

South Africa faces a bleak economic outlook.

High living costs pressure household consumption, and weak confidence restrains investment. Service delivery, infrastructure, and logistics challenges persist. Reforms are underway but will take time.

National Treasury predicted South Africa's growth at 1.3% for 2024, and the latest South African Reserve Bank Monetary Policy Committee report forecasts GDP growth in the second half of 2024 to be 0.6% for both quarters. However, the pace of growth nonetheless remains below longer-run averages, of around 2%.

Despite these gains, these rates fall well below South Africa's long-term average of about 2.0% and significantly below the 4.2% average growth for emerging markets projected by the IMF this year.

Related material matters

- The challenges of political instability and social unrest in South Africa
- Poor economic climate
- Unstable electricity supply and water infrastructure
- The confidence of investors, analysts, and potential tenants in the long-term outlook of CBDs
- Community upliftment in the nodes we operate in

The impact on Octodec

Over the past few years, Octodec, like many REITs, has underperformed due to factors such as high interest rates, the COVID-19 pandemic, and a lack of business confidence. Concerns over rental income and distribution growth persist due to the poor economic climate and asset recycling challenges.

Shareholders expect action to address income and expenditure trajectories.

Our strategic response

Redevelopment has shown value, especially in the residential sector. Through City Property, we have a strategic advantage in managing residential properties and will focus on this sector for organic growth and acquisitions. Action is needed on non-performing assets and mothballed spaces to address their dilutive effect on distributable income.

Additionally, "margin squeeze" remains a concern due to rising costs and repairs and maintenance expenses outpacing rental income. Management must control costs to grow distributions. Focusing on long-term sustainability and expansion through asset recycling and investment in yield-enhancing assets will change Octodec's trajectory, enabling reinvestment and higher yields.

Refer to our strategy for growth on page 36

Our material risks and opportunities

Through our enterprise risk management (ERM) framework, we maintain a comprehensive and integrated approach to risk management.

This framework aligns our strategy, processes, people, technology, and knowledge. It helps executive management and the board to manage uncertainties while protecting and enhancing stakeholder value.

Octodec's risks are monitored in line with its ERM policy and framework through comprehensive registers. It allows the group to actively identify, monitor, and manage the risks and opportunities to the business.

Independent assurance

External assurance providers, such as external auditors, are seen to be independent and provide robust assurance.

Oversight

The board and internal and external assurance providers provide oversight to ensure the effective governance and performance of Octodec.

Internal audit

Internal audit provides reasonable assurance of the overall effectiveness of governance, risk management, and internal controls.

Executive management

Management is responsible and accountable for developing appropriate processes and systems to support a culture of monitoring performance and compliance.

Internal control measures

Each department consistently and proactively evaluates probable future scenarios to consider how emerging trends and developments impact Octodec's business model, consumer trends, and key business/regulatory drivers.



One on Mutual

Risk appetite and tolerance

Our ERM framework sets clear risk appetite and tolerance levels, supported by specific management processes and approvals. We employ robust monitoring to ensure effective internal controls and reliable decision-making, enabling us to adapt to market changes.

Executive management regularly reviews significant risks, with input from the audit and risk committees and board, to define our overall risk profile. Octodec maintains a moderate risk tolerance and manages significant or high risks to align with this tolerance.

We address uncertainties proactively, aiming for sustained success and growth. For risks deemed residually high or significant, we closely monitor and manage them.

Board oversight of risks and opportunities

The risk committee is responsible for monitoring risks and opportunities for the board. It operates using a combined assurance model with three lines of defence: oversight, management, and assurance. This model ensures a robust internal control environment and supports the integrity of information for decision-making, strategy development, and planning. Key responsibilities include:

- **Refining the risk management framework:** Continuously improving an integrated assurance risk management framework and culture. This framework ensures that material risks are monitored and mitigated to acceptable levels of tolerance, effectively and cost-efficiently.
- **Monitoring internal controls:** Overseeing enhancements in internal controls through advanced risk processes, including the combined assurance framework, to ensure robust and comprehensive risk management.

The committee is satisfied that the risk management framework and combined assurance model effectively identifies, monitors, and mitigates material risks. The committee is confident that these measures support the integrity of information used for decision-making and strategic planning. Refer to the separate governance report at <https://octodec.co.za/investor-information/#reporting-suite> for more details.

Octodec's top risks

The top risks have remained largely consistent with last year, with only minor adjustments to risk descriptors and mitigating actions.



Increased







Decreased



Remained stable

Risk description	Risk factors	Our actions
Reliance on state-owned entities for electricity and water supply	<ul style="list-style-type: none"> Electricity interruptions, some continued load shedding, introduction of load reduction, and unreliable water supply Compromised water quality and pressure Rising utility tariffs 	<ul style="list-style-type: none"> Use backup generators and explore alternative power sources Monitor and manage power and water consumption to optimise tenant recoveries Actively explore alternative water sources for our buildings, and develop a water resilience strategy
Failing municipal infrastructure and diminishing service delivery by local authorities and government	<ul style="list-style-type: none"> Poor municipal service delivery Failing road/rail infrastructure affecting retailers Lengthy court processes for evicting non-paying tenants Unstable and inefficient metro coalitions 	<ul style="list-style-type: none"> Build relationships with local authorities and independent suppliers for quick resolution Lobby for constructive change through various forums
The affordability of the target market remains under pressure	<ul style="list-style-type: none"> Rising costs Low GDP growth High interest rates Pressure on disposable income High unemployment and lack of job creation 	<ul style="list-style-type: none"> Diversify our portfolio to reduce the impact of single-tenant failure Develop affordable and attractive rental options with shared and semi-furnished solutions Enhance digital marketing to attract more tenants Maintain robust credit control and tenant vetting processes
Inability to grow distributions in line with (or in excess of) inflation	<ul style="list-style-type: none"> Revenue growth below inflation Rising costs High interest rates 	<ul style="list-style-type: none"> Efficient capital management Diversify the portfolio to reduce single-tenant risk Maintain LTV ratio below 40% and ICR above 2 times Robust credit control and tenant vetting Execute our strategic objectives Effective cost management
Increased regulatory burden and scrutiny, including the increased inability to transform at acceptable levels	<ul style="list-style-type: none"> High cost of compliance Onerous and evolving regulations Slow transformation progress 	<ul style="list-style-type: none"> Monitor regulatory changes Lease agreements require tenant compliance with relevant regulations Meet our transformation targets Risk committee oversees the improved compliance management strategy and implementation plan
Risks surrounding human capital (including suppliers and local authorities)	<ul style="list-style-type: none"> Quality of service from suppliers and local authorities The loss of key employees Challenges in attracting and retaining necessary skills Difficulties managing organisational transformation for diversity and culture 	<ul style="list-style-type: none"> Provide flexible work-from-home options Invest in employee training and competitive remuneration Develop our employee value proposition Meet our diversity targets in line with our employment equity policy Documented processes to retain intellectual property and transfer knowledge Succession planning and training for senior positions Strong relationships with local authorities and suppliers for swift issue resolution and continuity

Risk description	Risk factors	Our actions
 Slow economic growth, failing structural reforms, and policy uncertainty	<ul style="list-style-type: none"> Declining economic activity High interest rates Weakening fiscal position and rising government debt Weakening currency High unemployment rates Delays in necessary economic reforms Policy uncertainty and instability from coalition governments at the local and provincial level, and the Government of National Unity Increased social unrest and protests 	<ul style="list-style-type: none"> Follow a balanced capital allocation strategy Implement initiatives to attract tenants and offer cost-savings and value-added services
 Increased pressure on IT network infrastructure and cyber security (including data fraud) impacting our systems and those of third parties with whom we operate	<ul style="list-style-type: none"> Increased cyberattacks Systems or network downtime Non-compliance with internal processes Lack of user awareness 	<ul style="list-style-type: none"> Manage service level agreements with service providers Regular upgrades and maintenance of IT infrastructure Off-site data backups and disaster recovery systems Prompt communication with stakeholders during data breaches Install uninterruptible power supplies supported by generators Ongoing user education and training initiatives in place
 The increasing threat of damage to property infrastructure, the intensity of protest action and concerning crime trends	<ul style="list-style-type: none"> Rising discontent due to stagnating living standards and quality of life Poor service delivery and increased strike days High youth unemployment and rising costs Weak law enforcement Tough insurance market with high premiums 	<ul style="list-style-type: none"> Strengthen relationships with stakeholders and authorities to resolve conflicts Monitor potential conflicts to minimise property damage and harm Maintain adequate insurance coverage Implement robust security measures at properties and across our footprint
 Adverse impact on Octodec's business due to its reliance on City Property	<ul style="list-style-type: none"> Asset and property management, and certain specialist services, are outsourced to City Property 	<ul style="list-style-type: none"> The Octodec board oversees and monitors City Property's outputs under the management agreement between City Property and Octodec Shared clarity on the future direction of City Property and Octodec

Our most material opportunities

Within our risk management framework, we identify and pursue opportunities to create and sustain value for Octodec and our stakeholders:

Strategic opportunities	Operational opportunities	ESG opportunities
<ul style="list-style-type: none"> Innovate to create new residential offerings that allow access to new entrants at the more affordable end of the rental market Explore innovative solutions to ensure our properties remain attractive to current and potential tenants Capitalise on the increased demand for affordable rental accommodation because of poor economic conditions Explore alternative use of vacant office space, such as hybrid and shared space models 	<ul style="list-style-type: none"> Use technological developments to meet tenant expectations (Wi-Fi access, online property management interfaces and social media engagement) Upskill our building managers and support staff to work in a digital world Improve automation of business processes to reduce costs and increase efficiency 	<ul style="list-style-type: none"> Reduce reliance on municipal water supply and ensure that a sustainable source of water is available for our operations by exploring water management options Create a supportive and inclusive workplace environment and strengthen the participation of women in the workplace by addressing women-specific health issues and ensure that gender pay equity remains a cornerstone of our workplace culture; refer to the pay gap report in our remuneration review at https://octodec.co.za/investor-information/#reporting-suite Lower operating costs and potentially increase property values by improving the energy efficiency of our properties

Refer to the outcomes of our business model from page 46.



Engaging with our stakeholders

Our approach to stakeholder engagement

Our stakeholder engagement strategy focuses on collaboration to support the success of cities and urban areas. We integrate engagement into our value creation process by prioritising open, clear, and transparent communication and addressing all concerns and opportunities. We use stakeholder feedback to guide our decision-making processes. We receive significant media coverage during our results presentations and other interviews across TV, radio, and magazines, with all requests managed by our investor relations team.

Managing and governing stakeholder relationships

We have established procedures to monitor and assess our communication effectiveness. The board, supported by the SERT committee, ensures robust and transparent stakeholder relationships. For details related to stakeholder engagement, refer to the separate governance report and remuneration review, at <https://octodec.co.za/investor-information/#reporting-suite>.

Octodec's key stakeholders

Tenants and potential tenants

- Residential tenants
- Commercial tenants
- National tenants

Investors and potential investors

Financial market participants

Employees

City Property

Metro Councils

- Tshwane
- Johannesburg

Suppliers and service providers



Elephant House

Tenants and potential tenants

(Including the communities in which we operate and inner-city stakeholders)

Key accountability:



Residential tenants

Our engagement methods

- Daily tenant engagement by the building managers, contact centre, customer service, property managers, and leasing agents
- Tenants and prospective tenants can contact City Property via telephone, email, WhatsApp, and social media. All communications are directed to the relevant departments for immediate action.
- Social media platforms keep tenants informed and updated on community activities and other important information like electricity and water savings, as well as news from City Property, thereby enhancing brand awareness

The needs they have expressed

- Affordable, high-quality, secure, and well-maintained accommodation
- Competitive, transparent rental pricing
- Strong and thriving community environment
- Efficient customer service

The concerns they raised

- Security
- Reliable water and electricity supply

Our actions

- Improved tenant engagement through training and support of customer-facing employees with advanced tools
- Post-call surveys: Regularly collect and analyse feedback from surveys to improve service quality
- Implement changes based on feedback to enhance tenant satisfaction and address concerns
- This year, we supported our tenants by mitigating prolonged power and water outages through the installation of generators, and water tank inlets for water tankers, while also developing a water resilience strategy

Engagement quality

- Surveys are sent after each tenant and prospective tenant interaction to gather feedback on service and product quality
- We achieved a net promoter score of 43.4

Tenants and potential tenants (continued)

(Including the communities in which we operate and inner-city stakeholders)

Key accountability:



Commercial tenants

Our engagement methods

- Tenants know the property managers and can reach out to them
- Property and portfolio managers visit tenants at their premises

The needs they have expressed

- Affordable, high-quality, secure, and well-maintained places

The concerns they raised

- Lack of buying power impacting their businesses and requesting rent reductions
- Lack of service delivery by the local councils
- Crime

Our actions

- Assist with cost of occupation, including administered expenses
- Engaging with the Council to resolve service delivery issues
- We have partnered with the South African Police Service and CIDs to address security issues

Engagement quality

- Prioritising quarterly visits to commercial tenants, ensuring engagement and relationship-building

National tenants

Our engagement methods

- Dedicated leasing agents responsible for managing relationships
- Regular meetings with tenants to address operational matters

The needs they have expressed

- Location with a high level of foot traffic
- Proper management of the premises and excellent customer service

The concerns they raised

- Limited premises in attractive locations
- Lack of buying power impacting their businesses, resulting in negative rent reversions
- Crime

Our actions

- Create and repurpose spaces to attract national tenants to premises beyond the strong trading areas
- We collaborate with the South African Police Service and CIDs to enhance security measures

Engagement quality

- Based on the interaction with the tenants, the engagement is considered to be effective

Investors and potential investors

Key accountability:



Our engagement methods

- Annual and interim reports, results presentations, and investor roadshows
- Pre-close updates
- One-on-one meetings with major shareholders, potential shareholders, and analysts
- Trading updates, SENS announcements, and press releases
- Responding to shareholders' queries
- Accompanied site visits to our property portfolio
- Comprehensive and easy-to-navigate website

The needs they have expressed

- Delivery of long-term, sustainable financial results and distributions
- Improved communication of the group's progress and ongoing strategy
- Clear strategic direction and consistent operational execution
- Transparent reporting and disclosures
- Robust financial control environment, including corporate governance and ethics frameworks

The concerns they raised

- Flat or decreasing distribution and little to no capital growth
- Long-term strategy not delivering growth in distributions
- The inability to do share buy-backs and the illiquidity of Octodec shares
- Discount of the prevailing share price to the NAV per share
- Internalisation of the management company

Our actions

- Focusing on growing rental income and managing costs in the short-term to maintain and grow distributions
- Developing a strategy to grow rental income and distributions
- Communicating that it is not accretive to the group to do a share buy-back
- Maintaining transparent reporting and disclosures per reporting standards and internal policies and procedures
- Well maintained and strong balance sheet
- Improved profitability through various yield-enhancing projects
- Disposal of underperforming assets
- Strong corporate governance structure in place to mitigate potential conflicts of interests

Engagement quality

- The feedback was well received. However, there are still some concerns that need to be addressed over time

Financial market participants

(Including debt funders)

Key accountability:



Our engagement methods

- Regular meetings to provide feedback and maintain long-standing professional relationships
- Regular reporting on covenant adherence, requirements, risk appetite limits, and tolerance thresholds
- Accompanied site visits to our properties
- Continuous engagement with potential lenders

The needs they have expressed

- Proactive management of debt covenant compliance
- Regular feedback on results and performance of the group portfolio

The concerns they raised

- The ability to meet covenants and debt repayment obligations

Our actions

- Regular interaction with the banks, providing them with an operational overview
- Early interaction with funders to negotiate renewals of expiring facilities and increase facilities (where necessary)
- Investigate and engage new potential investors in the Domestic Medium-Term Note (DMTN) Programme
- Active finance cost management through interest rate derivative instruments

Engagement quality

- Exceptionally robust

Employees

Key accountability:



Our engagement methods

- Regular communication using several channels and modes that align with employees' preferences, like WhatsApp, SharePoint intranet, small and large group conversations

The needs they have expressed

- Opportunity to develop and contribute, earn more, and improve holistic well-being
- Competitive and fair reward structures and benefits that recognise committed high-performers
- A vision that inspires and comes alive through shared clarity on future direction and how they contribute
- A diverse and inclusive culture that is safe and enabling
- Flexibility and a respectful and constructive stance on mental health and overall wellness

The concerns they raised

- Improved earnings and quality of life
- Competitive and fair reward structures
- Shared clarity on the future direction of City Property and Octodec

Our actions

- Leadership and management development to cascade inclusive management practices
- Continuous communication to promote participation and proactively share progress against strategic objectives
- Enhance promotional opportunities through personal development plans
- Continue with internal regular, specific communications to all employees
- Stress classes twice a week and financial wellness through financial coaches

Engagement quality

- Feedback from training interventions and communication events confirms that employees are experiencing increased engagement and improved clarity on strategic priorities
- Feedback on performance management contracting is positive
- Internal promotions have increased, and disciplinary cases and voluntary resignations have decreased

City Property

Key accountability:



Our engagement methods

- Regular meetings between the board, board committees and executive management team
- Annual review of performance against agreed KPIs
- Chief executive officer and financial director are employed by City Property and interact with management and employees on operational and finance issues daily

The needs they have expressed

- Clear and regular guidance on Octodec's strategy and plans

The concerns they raised

- Octodec's sustainability and growth, which is the core business of City Property
- Guidance from the board on the future direction of Octodec

Our actions

- Clear communication through the chief executive officer and financial director to the City Property executive management team on strategy, expectations, and concerns
- Direct access to the board by City Property executive team, internal audit, and chief risk officer

Engagement quality

- Positive, based on clear communication, transparent reporting, and meeting the provisions of the management agreement

Metro councils

Key accountability:



Tshwane

Our engagement methods

- Continued engagement to ensure that billing and service delivery issues are addressed
- Meetings with the executive mayoral committee members on an *ad hoc* basis
- Undertaking building visits with the Executive Mayor and other key municipal personnel
- Currently applying to be a member of the *Community Upliftment Precinct*, which aims to improve cooperation with the Council and service delivery

The needs they have expressed

- Expand the city's revenue base by attracting businesses back to the CBD
- Fostering and maintaining strong, collaborative relationships with landlords

The concerns they raised

- Crime and internal political dynamics impacting service delivery
- Credit control

Our actions

- Attending meetings at SAPS forums to escalate safety concerns
- Accounts are settled promptly

Engagement quality

- We maintain a strong, collaborative relationship with the City of Tshwane Executive Mayor's office, though there are always opportunities for further strengthening and improvement

Johannesburg

Our engagement methods

- We attempt to engage with the City of Johannesburg (CoJ) through several platforms like The Johannesburg Property Owners and Managers Association
- Relationships forged with various managers within the CoJ to resolve service delivery issues related to electricity and water

The needs they have expressed

- Expand the CoJ's revenue base by attracting businesses back to the CBD

The concerns they raised

- Addressing its decline, and implementing strategies to revitalise the CBD

Our actions

- Face-to-face interactions are challenging as the CoJ is reluctant to meet landlords. We have met with the Executive Mayor, the City Manager, and the CoJ Department of Economic Development after the Lilian Ngoyi Street gas explosion

Engagement quality

- Challenges arise from the CoJ's reluctance to engage effectively

Suppliers and service providers

Key accountability:



Our engagement methods

- Quarterly surveys conducted with suppliers and service providers and feedback provided
- Daily communication using various channels such as e-mail, WhatsApp and telephonic conversations
- In-person meetings to discuss operational matters and strengthen relationships

The needs they have expressed

- Anticipations of being a reliable source of work
- Prompt payment practices
- Clear guidance on policies and procedures
- Commitment to fostering long-term partnerships

The concerns they raised

- Reduction in the volume of work or services requested
- Delayed payments
- Maintaining status as a preferred supplier
- Explicit instruction on requirements

Our actions

- Maintaining a transparent and ongoing dialogue with suppliers
- Providing an Ethics Hotline facility
- Developing and fostering long-term relationships with suppliers
- Timely payment to suppliers in accordance with agreed-upon terms
- B-BBEE compliant preferential procurement

Engagement quality

- Based on our personal engagement with suppliers and service providers, we conclude that the relationships are positive



Prime Cure

Our business activities

A property portfolio that differentiates us

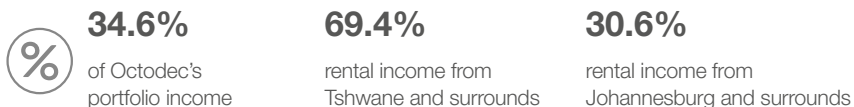
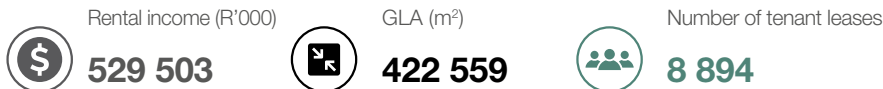
All information on rental income and properties disclosed in this report includes the 50% equity-accounted joint venture.



A view of our residential sector

We maintain our competitive advantage by providing quality apartments at affordable prices.

- Traditional apartment blocks
- Mixed-use spaces
- Student accommodation



Easy interaction

Our digital engagement platforms facilitate faster and more efficient lease applications, feedback, and processing.

Customised accommodation

We offer fully or semi-furnished shared apartments to help meet the rising demand for affordable, clean, and safe accommodation, specifically for students who receive assistance from the National Student Financial Aid Scheme (NSFAS).

Value-adds for our tenants

We successfully introduced cashless laundry facilities at The Fields, primarily to address the NSFAS requirement for laundry facilities. The resounding success at The Fields inspired us to roll these out to our larger residential properties, and we now have laundry facilities at 11 residential buildings. These on-site laundries offer tenants a 24/7, time-saving, and hassle-free laundry experience.

We provide an average of 800 000 gigabytes of free Wi-Fi per month across our residential properties.

Rewarding loyalty

Our Residential Rewards Programme offers vouchers for lease renewals and ensures we maintain loyalty with good quality tenants.

We focus on ensuring that our value proposition remains attractive to tenants, with well-maintained and safe buildings, play areas for children, braai facilities and entertainment areas for relaxation, dedicated onsite building managers, and 24/7 security.

To overcome the challenges of electricity and water outages, we have provided our residential buildings with generators and water inlets for water tanks.



The Fields





A look into our commercial sector

Location is the primary competitive advantage to our well-diversified commercial portfolio of properties within core commuter and activity zones.



65.4%
of Octodec's portfolio income



35.6%
rental income from retail shops
and shopping centres

7.1%
rental income from
industrial spaces

18.3%
rental income from
office spaces

4.4%
rental income from parking
spaces at our buildings

We offer tenants commercial spaces across different types of retail, office, and industrial buildings, including a medical centre and two hotels.

Core commuter and activity zones in the CBD areas ensure high foot traffic for retail tenants, proximity to offices, and access to our residential portfolio.

In the surrounding urban areas, our well-managed industrial parks for small and medium-sized enterprises (SMEs) are sought-after, while our well-located community shopping centres continue to serve their respective communities.



Retail shopping centres



Rental income (R'000) **R189.2**



GLA (m²) **97 545**



Tenant leases
208

Four open air community shopping centres and one small regional shopping centre



Retail street shops



Rental income (R'000) **R356.9**



GLA (m²) **339 983**



Tenant leases
1 040

A mix of small-scale and large-scale retail spaces, accommodating both local and national retailers



Industrial



Rental income (R'000) **R108.6**



GLA (m²) **210 584**



Tenant leases
341

A combination of workshops, mini factories and small industrial parks



Offices



Rental income (R'000) **R280.7**



GLA (m²) **453 809**



Tenant leases
1 575

A variety of office spaces, including government offices, small offices, and hybrid office-retail spaces



Parking



Rental income (R'000) **R67.7**

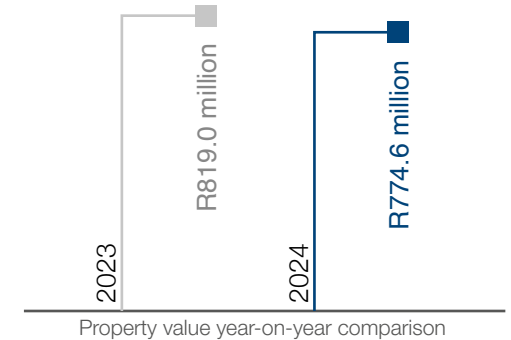
A total of 21 405 structured, covered and open parking bays at our buildings

A showcase of our top 10 properties

The Fields, Tshwane



The Fields offers off-campus student accommodation, retail shops, high-quality office spaces, restaurants and a hotel.



Sector



Mixed-use consisting of residential, retail, and offices



Commercial
rental income
33%



Residential
rental income
67%



Size
60 305m²



Percentage of
portfolio value
6.9%



Residential
occupancy
90.6%

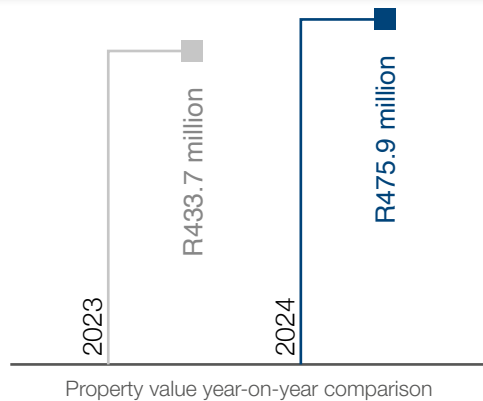


Commercial
occupancy
84.7%

- 766 apartments with 383 apartments converted into furnished accommodation to meet NSFAS demand
- 1 112 basement parking bays
- 10 371m² of office space
- 18 097m² of retail space
- City Lodge hotel
- Virgin Active gym in the precinct
- An integrated energy system including solar, generator, and municipal electricity sources has been approved to be completed during FY2025 to reduce carbon emissions from this precinct



Woodmead Value Mart, Johannesburg



Sector



Shopping centre



Commercial
rental income

100%



Size

17 168m²



Percentage of
portfolio value

4.3%



Commercial
occupancy

86.4%

- 42 international and local fashion and luxury goods value stores
- 631 free open parking bays
- An integrated energy system balances solar, generator, and municipal electricity sources to keep tenants trading through power outages and reduce carbon emissions from the Centre

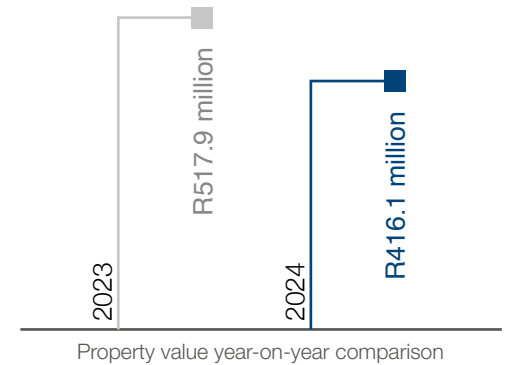


Woodmead Value Mart is an upscale open-air shopping centre that prioritises value-for-money offerings and houses a selection of high-quality retail shops.

Killarney Mall, Johannesburg



Killarney Mall benefits from its strategic and easily accessible location, situated within 100 meters of the M1. With a strong emphasis on meeting the needs of the surrounding residents, it serves as a convenient community hub.



Sector



Shopping centre and offices



Commercial
rental income
100%



Size
47 470m²



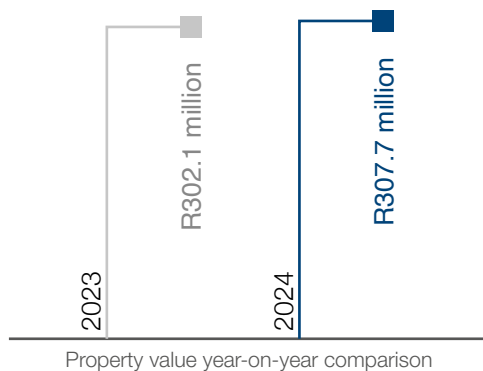
Percentage of
portfolio value
3.7%



Commercial
occupancy
80.0%

- 92 retail stores, 48% of which are national brands
- 65 offices, including medical suites
- Entertainment areas, including a cinema and restaurants
- Ample parking, with 24-hour security surveillance
- Supported by a generator for back-up power during outages

Louis Pasteur, Tshwane CBD



Sector



Offices



Commercial
rental income

100%



Size

24 799m²



Percentage of
portfolio value

2.7%



Commercial
occupancy

97.9%

- Hospital and 199 medical suites
- Four levels of parking bays
- Supported by a generator for back-up power and water tanks during electricity and water outages

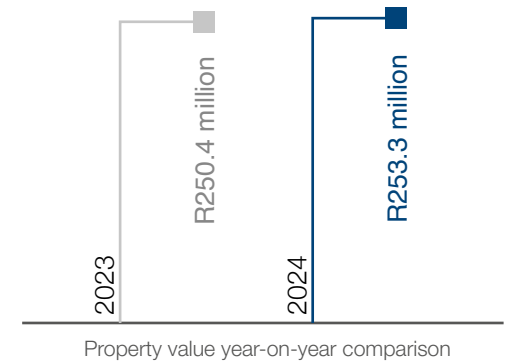


Louis Pasteur is a well-established and dynamic facility that provides a range of specialised medical services, including a hospital.

Sharon's Place, Tshwane CBD



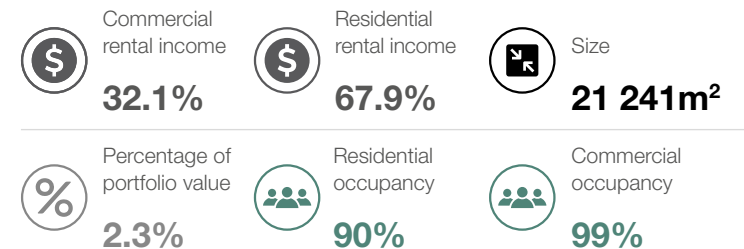
Sharon's Place serves as a central hub in the CBD, offering comfortable living options, convenient shopping and transport opportunities for young professionals and families.



Sector

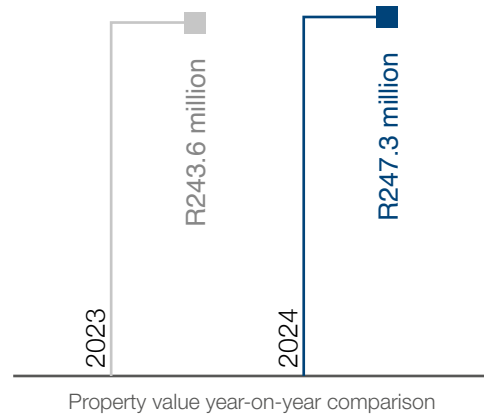


Ground floor retail and residential



- 399 residential units
- National tenants include Shoprite, Clicks, Hungry Lion, and KFC
- Leisure area with ball sports facilities and a secure play area for children
- A landscaped inner-city garden
- Access to the A Re Yeng bus service
- 288 parking bays
- Supported by a generator for back-up power during outages

Kempton Place, Johannesburg



Sector



Ground floor retail and residential



Commercial
rental income
85.1%



Residential
rental income
14.9%



Size
35 437m²



Percentage of
portfolio value
2.2%



Residential
occupancy
97.1%



Commercial
occupancy
27.6%

- 469 residential units
- 29 retail shops
- Landscaped garden with courtyards and leisure areas
- Soccer field, basketball court, jungle gym, and entertainment area
- Easy access to O.R. Tambo International Airport and Gautrain bus route
- Supported by a generator for back-up power during outages

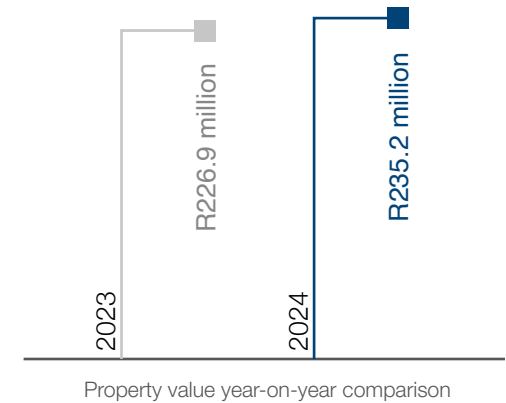


Kempton Place is a centrally located, vibrant, and secure residential and retail space in Ekurhuleni.

Waverley Plaza, Tshwane



Waverley Plaza is a conveniently located neighbourhood shopping centre that offers everything from essentials to entertainment.



Sector



Shopping centre



Commercial
rental income
100%



Size
11 459m²



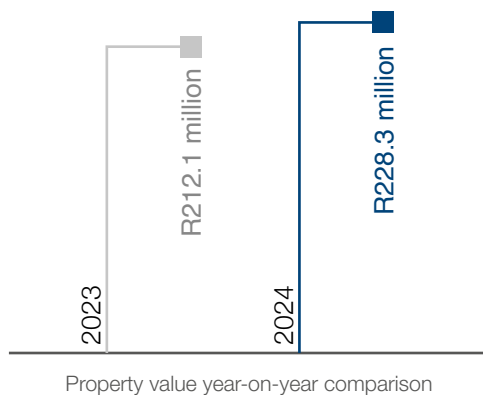
Percentage of
portfolio value
2.1%



Commercial
occupancy
87.9%

- 45 retail shops, restaurants and entertainment venues including a drive-thru KFC
- Ample free parking
- An integrated energy system balances solar, generator, and municipal electricity sources to keep tenants trading through power outages and reduce carbon emissions from the Centre

The Park Shopping Centre, Tshwane East



Sector



Shopping centre including a small office block



Commercial
rental income
100%



Size
12 005m²



Percentage of
portfolio value
2.0%



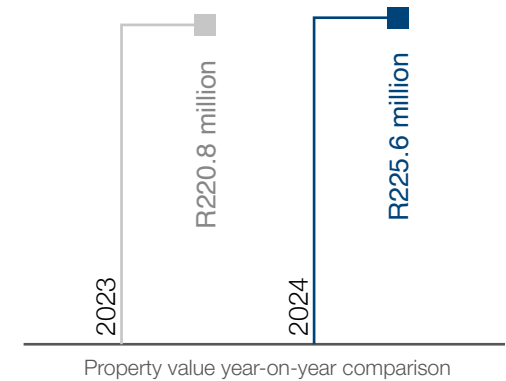
Commercial
occupancy
95.5%

- 34 shops and restaurants and 25 offices
- Ample free parking, and security with 24-hour CCTV cameras
- Supported by a generator for back-up power during outages



The Park Shopping Centre is a contemporary community hub that combines retail spaces and offices.

Centre Walk, Tshwane CBD



Sector



Retail shops and offices



Commercial
rental income

100.0%



Size

25 744m²



Percentage of
portfolio value

2.0%



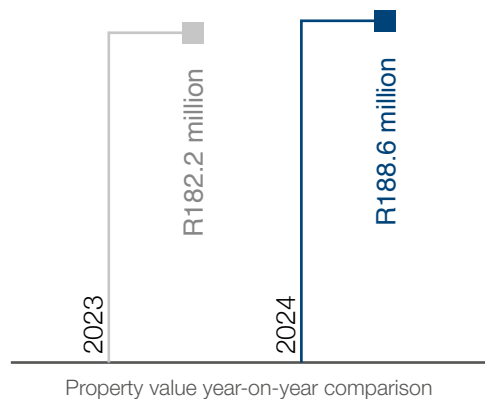
Commercial
occupancy

97.1%

- 23 shops let to National tenants and smaller retailers and 17 offices spread over six floors
- 377 undercover parking bays
- Supported by a generator for back-up power during outages

Centre Walk comprises two office towers housing government departments, ample parking, and an inviting arcade with retail shops. It is conveniently located near bus routes.

Jeff's Place, Tshwane CBD



Sector



Residential



Commercial rental
income (parking)

12.1%



Residential
rental income

87.9%



Size

14 809m²



Percentage of
portfolio value

1.7%



Commercial
occupancy

94.5%

- 348 residential units
- Safe and secure play area and braai facilities
- 223 structured parking bays
- Supported by a generator for back-up power during outages



Jeff's Place is a residential building conveniently situated across from the Tshwane Magistrate's Court.



A strategy for growth

Octodec's strategy directs our business activities in pursuit of our vision.

Each year, we assess our strategic objectives to ensure they align with our operational goals and remain relevant in today's demanding and competitive environment. In this process, we have considered Octodec's stakeholders, risk management, material matters, and emerging trends. We are committed to sustainably growing distributions and enhancing shareholder value, while considering the needs and concerns of our key stakeholders.

Our vision is to innovate and create sustainable economic value through our investment in a multi-sector property portfolio.

We are dedicated to addressing the community's needs and collaborating towards a visionary future. By transforming buildings, we foster vibrant community ecosystems where individuals aspire to live, work, shop, and play. Our offices, apartments, retail spaces, and warehouses are designed to be fit-for-purpose, sustainable, and modern. We create the cities of tomorrow, today.

Our short-term aim (one to five years)

- Our goal is to transform vacant spaces into safe and appealing environments, fostering thriving communities and enhancing lives
- We will invest in our properties to provide water and energy security solutions wherever feasible, enabling our tenants to operate sustainably
- We will prioritise the disposal of assets that cannot be converted for a fair return
- To address shareholder concerns, we plan to restructure our existing arrangement with City Property

Our medium to long-term aim (five to ten years)

We aim to leverage our insight to identify opportunities for responsible and sustainable growth and development within our portfolio, both within and beyond our strategic nodes.

Our strategic objectives

Enhance the value of our human capital contributions



Foster an environment that encourages performance, transformation, and compliance

Attract, retain, and develop skilled individuals within an inspiring environment

Develop a culture that translates our vision and values into practised, desired behaviours

Strengthen our property portfolio



Aggressively dispose of non-performing and non-core assets and reinvest capital proceeds into income-generating assets for organic growth

Explore property acquisition opportunities to expand our portfolio

Enhance community-focused precincts to achieve urban excellence

Identify nodes that offer potential and develop our existing buildings to maximise property returns

Invest in long-term renewable energy solutions, where feasible, and optimise energy efficiencies

Continue to invest in alternative water solutions while optimising water efficiency

Create sustainable value for all stakeholders



Reduce vacancies through proactive leasing and effective property management

Enhance our tenant offerings by providing value-added services and benefits through innovation

Manage tenant retention strategies

Mitigate the effects of a rising cost base to sustain and increase our distributable income

Enhance relationships with municipalities to manage costs beyond administered costs

Optimise our balance sheet and funding structure



Ensure diverse sources of funding by borrowing from multiple lenders

Maintain a long-term weighted average borrowings maturity profile

Maintain gearing levels at below 40%

Manage interest rate risk through long-term interest rate derivatives and maintaining a hedging profile in line with the prevailing interest rate cycle





Centre Place



The performance outputs of our business model

Our COO's reflections on 2024



This past year, we faced challenges like rising interest rates, higher utility costs, failing municipal infrastructure, and uncertainty from the national elections. These pressures increased costs for Octodec and our tenants. Nevertheless, we are committed to turning these challenges into opportunities to support our tenants and improve our portfolio's performance.

The announcement of an improved NSFAS accommodation allowance positively impacted our residential portfolio, reducing vacancies in Hatfield to 9.4%. This was a significant improvement compared to 2023, when unexpected reductions in accommodation allowances had led to increased vacancies. However, elevated interest rates have strained tenant affordability, affecting their capacity to meet higher rental rates.

In the first half of the financial year, load shedding still affected the Johannesburg CBD and surrounding areas in Johannesburg and Tshwane, contributing to higher-than-expected vacancies. This has been compounded by difficulties with municipal services in Johannesburg and Tshwane, including billing issues, service delivery failures, and deteriorating infrastructure.

We continued to invest in generator installations, and now 45% of our residential portfolio has backup power for common areas. The generators not only provide electricity but also ensure water supply by powering pumps that address low water pressure. Residential buildings in Johannesburg are also equipped with connections for mobile, rented generators required during extended outages. Load shedding has minimal impact on our buildings in Tshwane CBD, as they are located near many government departments which are exempt from load shedding.

The July 2023 gas explosion on Lilian Ngoyi Street (formerly Bree Street) in Johannesburg added to these challenges, causing power and water outages and necessitating immediate action from our team to support affected tenants. The explosion led to road inaccessibility and a significant drop in foot traffic, which affected trade and access to accommodation and shops. These challenges have resulted in operational disruptions and increased vacancies. To address these issues, we have implemented measures such as offering "no deposit" special deals to attract new residential tenants. Additionally, we installed generators and arranged alternative water supplies for the affected buildings to maintain services during these disruptions.

We effectively controlled costs despite the challenging operating environment. We optimised security and cleaning operations and invested in long-term renewable energy solutions and water-saving devices to help manage operational costs and enhance our competitive advantage in retaining tenants and attracting new ones.

Looking ahead, we will prioritise strengthening stakeholder relationships and leveraging our investments in technology and infrastructure. Our goal is to enhance portfolio performance, elevate tenant satisfaction, and address ongoing challenges in the operating environment. This proactive approach positions us for future growth and resilience, enabling us to consistently deliver value and maintain high standards across our portfolio.

Charlene Conradie

Chief operating officer: City Property

Operational performance

Tenants and leasing

Our tenancy profile % by GLA m²

Large national tenants, listed tenants, Government, and major franchises (%)

22.7

(2023: 21.3)

National tenants, other franchises, and medium-sized professional firms (%)

5.7

(2023: 6.3)

All other commercial tenants (%)

39.7

(2023: 40.5)

Residential tenants (%)

31.9

(2023: 31.9)

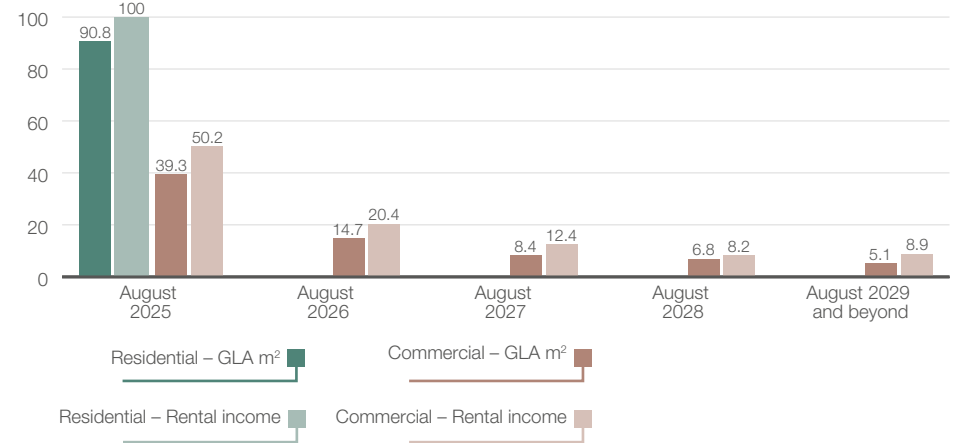
Total

100.0%

Lease expiry profile

Our tenant and leasing profiles are in line with historical trends and expectations. Most of our leases are short-term, with lease periods of 12 months, typical of residential and small to medium-sized enterprises. National tenants' leases are typically on a three-to-five-year term.

Expiries by rental income and GLA m²



Refer to the summarised financial statements for our full lease expiry profile at <https://octodec.co.za/wp-content/uploads/2024/11/Summarised-AFS-and-Notice-of-AGM-FY2024.pdf>

Length of stay

The average stay of a residential tenant is 25.2 months, excluding Hatfield tenants who are traditionally students leasing for 10 months during the academic year.

The average length of stay of commercial tenants, measured by those tenants that have vacated in the current year, is as follows:



Vacancies

Vacancies increased due to affordability challenges in the difficult economic environment. The office sector remains under pressure with the highest vacancies. The significant increase in retail – shopping centres is attributable to a large tenant at Woodmead Value Mart that filed for business rescue and Octodec terminated the lease. This vacant space has been relet subsequent to year end, with occupancies at 100% at Woodmead Value Mart. Killarney Mall reflected a small increase from 18.8% in FY2023 to 19.5% in FY2024. The gas explosion that occurred on Lilian Ngoyi street in 2023 had a small impact on our vacancies in Johannesburg CBD, increasing total vacancies from 43.6% to 44.4%. Vacant space of 8 601m² at Shoprite Eloff Street building was mothballed in the current year as this space cannot be let without a major refurbishment. This reclassification contributed to the small improvement in vacancies in retail – street shops.

Mothballed properties

Octodec owns several properties that are mothballed or partially mothballed. These properties were acquired over time as businesses left the CBDs in the 1990s and relocated to the up-and-coming northern suburbs of Johannesburg and Eastern suburbs of Tshwane, leaving empty buildings in the CBDs. These properties were acquired for their retail value, with the vacant office space being mothballed. The migration of people from outlying areas into the cities presented an opportunity for Octodec to convert these properties into residential properties, which today makes up our residential portfolio. However, due to the poor economic environment and political instability over the past number of years, conversion of these mothballed properties into residential properties has not been possible as the yield is not accretive.

Octodec's mothballed space increased by 9 458m² to 94 738m² (2023: 85 280m²) because of:

- Certain retail spaces becoming redundant due to their re-configuration, limiting access to remaining space
- Retail space that requires a large refurbishment or conversion before it can be relet

The mothballed space consists of three properties (54 140m²), fully mothballed, with a carrying value of R88.8 million. Three partially mothballed properties (24 659m²) with a carrying value of R50.0 million are being held for possible conversion into residential accommodation. The remaining mothballed space represents areas that have become redundant due to their re-configuration or require refurbishment to be let. Octodec continues to pursue the disposal of the remaining properties that are not suitable for conversion or refurbishment.

Disposals

Our ambitious disposal target has not been realised. Although we received several offers in FY2024, including for office buildings, some sales agreements lapsed due to unmet suspensive conditions, while others were extended to accommodate buyers. As a result, Octodec has only sold and transferred four properties and two sectional title units for a total net consideration of R13.8 million.

Subsequent to year-end, seven buildings were sold for R100 million, four of which have already transferred and the remainder are expected to transfer in the first half of 2025. In addition, management concluded, and the board agreed, that Killarney Mall should be sold rather than redeveloped. Management continue to actively pursue the disposal of this asset.

Refer to the financial director's review on page 54 for further details on the disposals.

Vacancies by sector

	Total GLA m ²	Total vacancies %	% of properties held for redevelopment or disposal including mothballed space %	Core vacancies %	Core vacancies as % of lettable GLA
31 August 2024					
Residential	422 558	9.2	–	9.2	9.2
Commercial					
Retail					
Street shops	339 983	21.5	(7.6)	14.0	15.1
Shopping centres	97 545	10.3	(0.3)	10.0	10.1
Offices	453 809	39.1	(14.8)	24.3	28.5
Industrial	210 584	10.8	(0.8)	10.0	10.1
Total	1 524 479	21.1	(6.2)	14.9	15.9
31 August 2023					
Residential	418 094	6.5	–	6.5	6.5
Commercial					
Retail					
Street shops	342 712	21.4	(4.8)	16.6	17.5
Shopping centres	97 700	7.0	(0.3)	6.8	6.8
Offices	456 790	38.5	(14.8)	23.7	27.8
Industrial	213 665	9.2	(0.5)	8.7	8.8
Total	1 528 961	19.8	(5.6)	14.2	15.1

Vacancy profile by location

	Total GLA m ²	% of total vacancies	Total vacancies %	% of properties held for redevelopment or disposal including mothballed space %	Core vacancies %
31 August 2024					
Tshwane CBD	502 036	31.9	20.5	(6.6)	13.9
Tshwane and surrounding areas	506 430	16.7	10.6	–	10.6
Johannesburg CBD	378 804	44.5	37.8	(16.2)	21.6
Johannesburg and surrounding areas	137 209	6.9	16.3	(0.2)	16.1
Total	1 524 479	100.0	21.1	(6.2)	14.9
31 August 2023					
Tshwane CBD	507 705	31.6	18.9	(6.3)	12.6
Tshwane and surrounding areas	505 381	18.0	10.8	(0.1)	10.7
Johannesburg CBD	378 666	43.6	34.9	(13.9)	21.0
Johannesburg and surrounding areas	137 209	6.7	14.8	(0.2)	14.6
Total	1 528 961	100.0	19.8	(5.6)	14.2



Sector performance summary



Residential sector review

Despite facing challenges, we made significant progress in enhancing our residential properties and supporting tenants.

We observed a general increase in vacancies in all areas except Hatfield. This rise is mainly due to economic pressures on tenants and the impact of the gas explosion affecting eight residential buildings in Johannesburg.

Despite these challenges, we remain optimistic about the future of our residential properties. There is sustained demand for affordable and secure accommodation in CBDs and surrounding areas, particularly from young professionals, students, and families seeking to reduce transportation costs by living closer to workplaces and transport hubs.

We successfully rolled out cashless automated laundry facilities to additional properties and Wi-Fi services to the remaining residential buildings. During the year, we examined open spaces within our properties to identify opportunities for value-added enhancements based on tenants' needs.

At *The Fields* in Hatfield, we enhanced this dedicated student residence, which serves NSFAS and private students, by adding facilities such as a student centre, green recreational areas, and an events space.

These investments have significantly improved tenants' enjoyment of Octodec's properties. In managing building expenses, we implemented effective strategies to contain costs while maintaining the quality of our properties and services.

Residential unit information

Unit type	Number of units		Average monthly rentals	
	2024	2023	2024	2023
Bachelor unit	3 133	3 134	3 950	3 750
One-bedroom unit	3 284	3 284	4 650	4 400
Two-bedroom unit*	1 491	1 491	6 000	5 700
Three-bedroom and other	551	551	5 550 – 6 800	5 300 – 6 450
Sharing*	782	782	5 000	5 000

* Comparative was restated

Area	Performance overview
Income growth:	
– Rental income – overall	Residential income increased by 3.8%. The growth was negatively impacted by an increase in vacancies.
– Rental income – Tshwane	69.4%
– Rental income – Johannesburg	30.6%
Vacancies:	
– Trend (% increase/decrease)	Vacancies increased from 6.5% to 9.2% and excluding The Fields, vacancies increased from 5% in FY2023 to 7% in FY2024. The increase was felt in both Tshwane, Johannesburg, and Kempton Park.
Arrears:	
– Trend (% increase/decrease)	Tenant arrears improved from 3.8% of rental income in FY2023 to 3.5% in FY2024 or 12.74 days compared to 13.91 days in FY2023.

Pioneering affordable housing solutions



Our innovations department, established a year ago, focuses on discovering and applying new ideas to enhance operations. The department began with innovative projects like the cashless laundry facilities, demonstrating the potential for transformative solutions.

This department's core mission is to identify market gaps and develop new products. A standout project is *Yethu City*, which is designed to meet the demand for affordable, quality accommodation. This initiative stemmed from insights from social media platforms discussing housing needs.

Yethu City offers shared and furnished accommodation, where tenants rent private rooms and share common facilities. The chosen location was selected for its suitability as a dedicated residential space and proximity to public transport. It features 136 rooms with shared amenities, co-working areas, and sustainability features like solar panels and a hybrid heat pump system.

This project addresses immediate tenant needs while paving the way for sustainable, cost-effective housing solutions. By piloting these innovations, we aim to refine this model and potentially expand it across our properties, ensuring we remain at the cutting edge of industry practices.

Residential sector performance

	2024	2023
Number of properties	65	65
Number of tenants	8 894	8 959
Number of residential units	9 241	9 242
Johannesburg (%)	36	36
Tshwane (%)	64	64
GLA (m²)	422 559	418 094
Rental income (R'million)	529.5	510.1
Rental income growth (%)	3.8	10.2
Rental income growth (like for like) (%)	3.8	10.3
Total vacancies at year-end (% of GLA)	9.2	6.5
– Tshwane (excl. Hatfield)	9.4	4.8
– Johannesburg	9.8	7.4
– The Fields	10.6	23.7
– Kempton Place	3.1	1.2

Priorities for 2025

Our top priority is to reduce vacancies ensuring that our properties remain attractive and desirable to potential tenants.

Each year, we refurbish the common areas of selected buildings, enhancing their appearance and functionality to better serve our tenants. For 2025, we have planned the refurbishment of a major residential building in Tshwane.

Additionally, we are exploring solar solutions for our properties and are developing a water resilience strategy.



Commercial sector review

In an uncertain economic environment, we continue to ensure a diverse balance across our different types of commercial offerings to sustain the interrelated needs of tenants.



Offices

Octodec's office portfolio remained under pressure with vacancy rates marginally higher, a reflection of the current oversupply of office space. However, some significant leases have been concluded at the end of FY2024 with occupation in FY2025. To improve the vacancies in the office sector, conversions into residential shared accommodation appear to be the most appropriate solution, and management is exploring various conversions of vacant office space.

Our spaces remain desirable, and we are concluding deals at market-related rentals, particularly in small office spaces. While location and well-maintained buildings attract new tenants, affordability remains a concern for some existing tenants. The government remains a significant office tenant, and it is renewing leases on expiry for a tenor of between three and five years.

We implemented free Wi-Fi and shared meeting rooms in selected buildings to enhance our office offerings in Tshwane and Johannesburg. Collaborating with CIDs has improved security and cleaning, with CCTV and additional human resources deterring crime and preventing break-ins.

Top 10 office tenants by lettable area

	GLA m²
Lessee	
Louis Pasteur Private Hospital	15 489
The City of Tshwane Metropolitan Municipality	12 219
Special Investigating Unit	12 025
Basa Tutorial Institute	11 782
Department of Rural Development & Land Reform	9 528
City Property Administration	7 967
South African Police Service	7 226
National Department of Public Works	7 073
SEDA	6 568
Department of Justice and Constitutional Development – National Office	5 868

Office space renewals and new leases

Offices	Number of deals	GLA m²	Monthly rental (R)
New deals			
Government	1	1 914	311 257
Non-government	505	29 814	2 284 401
Renewals			
Government	16	51 223	5 982 567
Non-government	529	44 897	3 778 518



Offices *continued*

Performance

	2024	2023
Number of tenants	1 575	1 532
Let to Government (by % of total rental income from offices)	56.1	55.8
Other (by % of total rental income from offices)	43.9	44.2
GLA (m²)	453 809	456 790
Mothballed office space (GLA m²)	67 101	67 503
Mothballed office space (%)	14.8	14.8
Rental income (R'million)	280.7	280.4
Rental income growth (%)	0.1	(5.3)
Rental income growth (like for like) (%)	0.8	(5.3)
Total vacancies at year-end (% of GLA)	39.1	38.5
Core vacancies at year-end (% of GLA)	24.3	23.7

Priorities for 2025

Depending on Yethu City's performance, we see significant potential to extend this model to underperforming commercial buildings in Johannesburg and Tshwane. By providing a stable and reliable environment, we aim to improve our tenant mix and occupancy rates.



Retail

Adapting to changing dynamics is essential for the resilience and success of our retail portfolio.

Our shopping centres have largely performed well, with an occupancy rate of 90.0%. However, Killarney Mall faces challenges that are fixable but require substantial investment and management is actively pursuing the sale of this asset. To support tenants, we have installed backup generators and solar power systems at three of our shopping centres. These measures enhance power supply reliability, and promote environmental sustainability, while at the same time reducing the group's operating costs.

Retail street shops had an occupancy rate of 86%. Most vacancies are caused by banks downsizing due to technological shifts in customer behaviour, and motor dealerships consolidating in areas with decreased demand. Securing and retaining tenants in some Johannesburg areas has been challenging due to service delivery issues and crime concerns. Additionally, hybrid work models adopted by large banks and some government institutions have impacted footfall in certain retail areas. The retail sector in Tshwane has shown resilience, but we face challenges with large-space retail vacancies that no longer meet tenant needs. We are actively exploring repurposing these spaces to attract suitable tenants.

Top 10 retailers by lettable area

	GLA m²
Lessee	
Shoprite Checkers (Pty) Ltd	22 975
Pepkor Trading (Pty) Ltd	17 928
HH Durrheim (Pty) Ltd	16 484
Pick 'n Pay Retailers (Pty) Ltd	13 283
Foschini Retail Group (Pty) Ltd	9 568
Woolworths (Pty) Ltd	5 268
Dullington House (Pty) Ltd	5 111
Mr Price Group Limited	7 019
Tshwane University of Technology	4 117
Denver Technical College of South Africa (Pty) Ltd	3 572

Shopping centres

	GLA occupied by National tenant	% of total GLA
Centre		
Blaauw Village	5 615	77
Gezina City	16 484	99
Killarney Mall	21 389	58
The Park Shopping Centre	7 077	66
Waverley Plaza	7 231	76
Woodmead Mart	8 607	50

Shopping centre performance

	Total 2024	Total 2023
Number of tenants	208	214
GLA (m²)	97 545	97 700
Rental income (R'million)	189.2	183.4
Rental income growth (%)	3.2	5.3
Rental income growth (like for like) (%)	3.2	5.3
Total vacancies at year-end (% of GLA)	10.3	7.0
Core vacancies at year-end (% of GLA)	10.0	6.8





Retail continued

Street shop performance

	2024	2023
Number of tenants	1 040	1 015
GLA (m ²)	339 983	342 712
Rental income (R'million)	356.9	352.0
Rental income growth/reduction (%)	1.4	(2.0)
Rental income growth (like for like) (%)	2.2	1.2
Total vacancies at year-end (% of GLA)	21.5	21.4
Core vacancies at year-end (% of GLA)	14.0	16.6

Priorities for 2025

We are committed to driving rental growth through strategic planning and responsiveness to market dynamics. Our focus is on attracting tenants to CBDs by highlighting their benefits and enhancing the tenant mix.

Tenant retention remains a top priority in the CBDs, and we are implementing initiatives to increase satisfaction and loyalty.

Additionally, we are exploring redevelopment opportunities to revitalise existing properties and maximise their potential.



Industrial

Octodec's industrial sector portfolio remains robust, offering diverse units tailored to start-ups and medium-sized businesses. Our flexible spaces can be adjusted to meet tenant needs without significant capital expenditure. This versatility, combined with a varied tenant mix and high demand for vacant units, ensures swift leasing.

The weak economic climate has impacted our small industrial tenants, resulting in an increase in vacancies to 10.0%. However, we are seeing increased enquiries and are confident that these vacancies will be filled. Rental rates in the industrial sector have seen growth. However, challenges such as above-inflation utility increases, additional costs from load shedding, and global supply shortages have pressured our ability to raise rentals further.

A sustainable South African solution

As part of our commitment to beautify the areas surrounding our buildings, we have partnered with *Green Pee* to create safe and clean public toilets in the inner city. We are installing sustainable urinals to address the pervasive issue of public urination, which negatively impacts our inner cities. This initiative aims to improve health and hygiene, enhance public spaces, and discourage behaviours that deter visitors.

Green Pee combines a urinal and planter, creating a functional and visually appealing solution that operates independently of traditional water and sewage systems, thereby contributing to a circular economy. Our partnership with *Green Pee* demonstrates how sustainable solutions can significantly enhance our urban environments.



Overall, while the industrial sector faces hurdles from service disruptions and rising operational costs, our strategic flexibility and diverse portfolio position us well to navigate these challenges.

Top 10 industrial tenants by lettable area

Centre	GLA m ²
Lessee	
Transpharm	6 873
African Food Industries	3 729
Salvage Car Dealers	3 322
Sizwe Foods	3 088
Le Petit Pain	2 887
Sterlings	2 600
MIDA Bakery Supplies	2 582
AutoZone	2 567
Iso Foods	2 560
South African Revenue Service	2 557

Industrial performance

	2024	2023
Number of tenants	341	348
GLA (m ²)	210 584	213 665
Rental income (R'million)	108.6	105.9
Rental income growth (%)	2.5	3.8
Rental income growth (like for like) (%)	3.8	8.6
Total at year-end (% of GLA)	10.8	9.2
Core vacancies at year-end (% of GLA)	10.0	8.7

Priorities for 2025

We will maintain our focus on marketing our industrial portfolio. In Johannesburg, we recognise potential rental growth opportunities through the redevelopment or refreshing of existing units.



The value creation outcomes of our business model

Insights from our chief executive officer



Octodec is a vibrant property company dedicated to creating better cities and improving people's lives.

As I introduce this chapter on our group's impact across financial, environmental, social, and governance areas, it is important to acknowledge the complex challenges Octodec and City Property have faced and the strategic actions we have taken to address them.

Financial outcomes and strong governance

This year's results fell short of expectations due to a persistently challenging operating environment. Tenants remain under financial pressure, property disposals have proven difficult, and competition, particularly in Tshwane, has intensified. Despite these challenges, Octodec and City Property's strong reputation for quality and value remains a key competitive advantage.

In response, we have focused inward – on maintaining momentum and addressing issues directly. We have prioritised risk management and ethical standards, ensuring our governance framework supports accountability, effective leadership, and transparent reporting. The Octodec – City Property relationship is essential, with City Property managing crucial aspects such as culture, human capital, and environmental standards. We ensure this partnership is governed independently to maintain high service standards.

Jeffrey Wapnick

Chief executive officer

Committed to innovation and environmental responsibility

As technology advances, we must remain innovative and adaptable. This year, there was a strong focus on digitalisation and cybersecurity initiatives, and we have made significant progress despite the complexities involved.

We also established a dedicated innovations team to drive new, cost-effective, environmentally and socially responsible ideas. The team works closely with our operational teams and suppliers to implement practical, efficient solutions. Their dedicated focus on innovation allows us to conceptualise and introduce advancements quickly and efficiently.

Octodec integrates sustainability principles into all operations and City Property's asset management KPIs. We employ robust methods to measure and report on greenhouse gas emissions (GHG) and resource efficiency, setting targets to drive continuous improvement. Our investment in renewable energy and water solutions enhances efficiency and competitiveness, enabling us to offer affordable rental options while balancing costs and tenant affordability.

If Yethu City meets our expectations, it will serve as a scalable blueprint for the future development of vacant buildings.

One of our key innovations is the development of shared accommodation models, which have already achieved success at other buildings. This model offers a unique living experience for students and young professionals, characterised by lower capital investment and reduced rental costs.

Building on this success, we are excited to introduce *Yethu City* (see page 41), an experimental initiative to transform our vacant spaces into attractive, off-grid accommodation focusing on decentralisation. In this model, building managers will serve as “mayors,” creating a vibrant community and facilitating real-time tenant engagement. Whilst we anticipate challenges, such as integrating new technologies and finding building managers with the required skills for a different offering, we are committed to overcoming them.

Focused on social impact and stakeholder engagement

Our social impact initiatives focus on investing in people, enterprise and supplier development and urban regeneration. We emphasise fair remuneration, meaningful employment, skills development and personal growth and wellness for employees. We enhance community well-being by providing safe working, living and recreational spaces. We strengthen our social responsibility efforts by collaborating with businesses, charitable organisations and other stakeholders.

Both Octodec and City Property are deeply connected to the communities surrounding our properties, allowing us to manage our portfolio with extensive local understanding. Supporting and uplifting these communities is a cornerstone of our success and that of our tenants, especially in challenging economic times.

Believing in the vibrancy of inner cities

For over 50 years, we have been more than just landlords. We are champions of transformation, shaping perceptions of the cities we work in and proudly contributing to the spaces where people thrive.

We remain deeply committed to revitalising inner cities. Operating in CBDs presents challenges due to dysfunctional municipalities and ageing infrastructure. Frequent maintenance needs and poor service delivery drive up costs and complicate property management, affecting efficiency and deterring investors and tenants.

In our inner-city operations, we tailor our approach to the unique challenges of Johannesburg and Tshwane. Johannesburg struggles with service delivery and high infrastructure costs, leading us to invest in generators and alternative water solutions to support our tenants. With a more supportive local administration until recently, Tshwane allowed for more vital collaboration and community engagement. Across both cities, our reputation as community builders reflects our commitment to being true partners in the communities we serve.

We advocate for the benefits of CBDs and highlight the role of Octodec's portfolio in promoting the value of inner-city living. We actively collaborate with the City of Tshwane, Johannesburg Metropolitan Municipality, and other CBD stakeholders to improve service delivery and partner with CIDs to enhance safety and cleanliness. The social impact case studies in this chapter also illustrate our efforts to work with stakeholders to elevate the quality of life in our areas.

Succession planning at Octodec

For some time many of our shareholders have expressed concern about the succession plan for myself as well as the internalisation of City Property or certain functions that it performs on behalf of Octodec. In this regard I wish to remind you of the recent announcement in which Riaan Erasmus who has been working with myself and Anabel Vieira at City Property, has been appointed as the financial director of, and employed by Octodec. In addition to the above, Riaan will also assume the role of deputy Chief Executive Officer of Octodec. Riaan has a keen passion for, and understanding of not only property, but the unique composition of Octodec's business, and is the right person to take the portfolio to new heights. I look forward to Riaan's contribution in his new capacity as he prepares to ultimately succeed me.

I want to take this opportunity to thank Anabel Vieira for the nine years working at City Property, taking responsibility for the Octodec portfolio and the last three years as financial director of Octodec. I wish Anabel and her family well in her retirement years.

Jeffrey Wapnick
Chief executive officer

Capital outcomes overview

Financial capital

Responsible financial and liquidity management practices have enabled us to navigate the challenging economic and operating environment. Certain events were beyond our control and have negatively impacted distributable earnings, decreasing by 7.4% to R421.9 million.

Refer to the financial performance review on page 50.

Key accountability:



Manufactured capital

The operating context, tenant preferences and affordability required a strategic approach to our portfolio. We explored innovative uses for existing properties.

We have invested R182.7 million into our manufactured capital, and disposed of R15.1 million of non-core properties. However, property fundamentals in our operating environment have weakened resulting in a write down in the value of the portfolio of R161.2 million, decreasing manufactured capital by R5 million during 2024.

Refer to the operational performance review on page 39.

Key accountability:



Intellectual capital

Intellectual capital is a scarce resource that sets companies apart, and innovative thinking has become a key differentiator.

We have increased our intellectual capital by focusing on innovation and adopting a future-ready mindset.

Refer to the operational performance review on page 39.

Key accountability:



Human capital

Experienced property skills and talent are scarce.

Both Octodec and City Property improved human capital through fair remuneration, on-the-job training, and supporting employee wellness.

For more details, refer to our separate remuneration report and see page 62.

Key accountability:



Social and relationship capital

Managing stakeholder relationships and earning trust is crucial in a low-trust environment.

We consistently work to increase our social and relationship capital. As reflected in our vision, we focus on social investment and development and prioritise urban regeneration and upliftment.

See page 61 for our social impacts and initiatives.

Key accountability:



Natural capital

With the depletion of natural capital, particularly the constrained cost and availability of water and electricity, our investments in solar energy, water availability, and energy and water efficiency are essential.

We are committed to providing our tenants with access to water and electricity and creating a future-ready business.

Refer to our environmental outcomes on page 57.

Key accountability:



Refer to page 13 for an overview of our value creation inputs across each capital.

Financial outcomes

Board oversight of financial capital

The group audit committee's primary mandate is to provide independent oversight of Octodec's internal financial controls, assurance functions, and the integrity of the AFS. It also supports the board in overseeing IT governance. While the risk committee manages overall risk governance, the group audit committee focuses on financial risk and controls. Key responsibilities include:

- **Internal financial controls:** Reviewing the effectiveness of internal controls and financial reporting. The committee is satisfied with the financial director's expertise and the finance team's resources.
- **Internal audit:** Evaluating the design, implementation, and effectiveness of internal financial controls based on internal audit assessments.
- **Financial statements:** Recommending the consolidated financial statements for approval by the board. For the year ended 31 August 2024, the board approved the AFS on 20 November 2024, which will be discussed at the upcoming AGM and are available online at <https://octodec.co.za/wp-content/uploads/2024/11/Consolidated-annual-financial-statements-FY2024.pdf>.
- **Going concern:** Confirming the group and the company's solvency and liquidity through quarterly tests, affirming that Octodec remains a going concern.

The committee is confident in the adequacy and effectiveness of the internal controls, which ensure a reliable foundation for financial reporting. For more details, refer to the audit committee report included in the consolidated financial statements at <https://octodec.co.za/wp-content/uploads/2024/11/Consolidated-annual-financial-statements-FY2024.pdf>.



Health Connect

Financial director's review



Anabel Vieira

Financial director

The current year was difficult to navigate in a high inflation and interest rate environment, uncertain global geopolitical risk, and the uncertainty of the elections outcomes. Despite this our balance sheet remains strong and we are prepared to take advantage of the more promising economic environment with lower inflation and interest rates and an established national government of unity (GNU) which has brought about more stability.

Context to our financial performance

The market in which Octodec operates is particularly sensitive to inflation and interest rates. During the past year we have faced increased vacancies accompanied by an inability to increase rentals in line with inflation. In addition, the gas explosion in Johannesburg has affected our results, with an increase in vacancies, more particularly in the residential and street shop sector as well as rental concessions which had to be given to tenants whose businesses have been impacted by the road closures and a significant increase in the bad debt allowance.

Given the current operating environment, management have concentrated on future enabling our assets to overcome the challenges of electricity and water interruptions, particularly in Johannesburg CBD which has faced unprecedented water and power outages, by installing generators at our most vulnerable properties, solar installations at some of our larger properties, as well as water inlets and tanks, and in this way assist our residential tenants with water and electricity, and our commercial tenants the ability to trade during outages.

Performance against our strategy

Whilst we had set a high target to dispose of our non-core assets, the high interest rate environment was not conducive to the disposal thereof as purchasers have found it difficult to obtain funding. However, we have seen an improvement in our disposals with several agreements concluded towards the end of the financial year, expecting transfers within the first six months of FY2025.

Given the difficult operating environment, management have focused on maintaining its balance sheet and managing debt levels ensuring that all covenants are met. Although we have seen an uptick in the loan-to-value ratio, it remains below the 40% level.

Post year end, a further R370 million has been refinanced for a tenor of three years and negotiations are at an advanced stage to refinance a further R600 million which matures in June and October 2025.

We have completed the refurbishment of HealthConnect building at a total cost of R57.3 million and have embarked on the conversion of a vacant office building into a new residential concept, Yethu City, at a projected cost of R45.2 million. We are optimistic that this new residential concept will be well received and will pave the way for more conversions of some of our vacant office buildings.

Conclusion

Despite the local property sector being at its lowest levels, we are confident that our properties are fairly valued and provide a solid base for future growth. We will continue to drive the strategy to dispose of non-performing and non-core assets and to re-invest the proceeds into yield enhancing assets, whether through redevelopments or new acquisitions to grow our distributable income.

As I retire and look forward to a new beginning, I would like to take this opportunity to thank all our stakeholders, board members and fellow executives for your support over the past years. A special word of thanks goes to Riaan Erasmus for his diligent work as we worked side by side in preparation for this transition and I am confident in his ability to take Octodec to new heights. To the finance department, I pay a special word of thanks for your support.

Anabel Vieira
Outgoing Financial Director

20 November 2024



Message from the incoming financial director

As incoming financial director, I would first like to thank Anabel for her great leadership, inspiration and guidance, particularly to myself and the rest of the finance team.

I am honoured to be appointed as the new financial director of Octodec, and together with the team, look forward to guiding the group to sustainable increased value creation for all our stakeholders.

Riaan Erasmus
Incoming Financial Director

20 November 2024

Overview of financial performance

Funds from operations

In the midst of the challenges experienced in the current year, distributable income before and after tax decreased by 7.5% and 7.4% respectively.

	% change	31 August 2024 R'000	31 August 2023 R'000
Revenue	4.1%	2 076 366	1 995 095
Sundry income	(95.4%)	570	12 329
JHB Gas explosion rental concessions	100.0%	(518)	–
Property operating expenses	7.7%	(1 149 092)	(1 067 117)
Net property income	(1.4%)	927 326	940 307
Administrative and corporate expenses	8.4%	(111 339)	(102 664)
Share of income from joint venture	17.3%	4 630	3 948
Distributable profit before finance costs	(2.5%)	820 617	841 591
Net finance costs	3.6%	(395 392)	(381 759)
Distributable profit before tax	(7.5%)	425 225	459 832
Current tax	(17.5%)	(3 362)	(4 073)
Distributable income attributable to shareholders	(7.4%)	421 863	455 759
Weighted average number of shares		266 197 535	266 197 535
Distributable income per share	(7.4%)	158.5	171.2

Dividend Policy

Octodec's dividend policy is based on the premise of retaining sufficient funds for maintenance, as well as development and acquisition opportunities as and when these opportunities arise. Furthermore, our policy is underpinned by the need to maintain a strong balance sheet with an acceptable loan to value ratio, while at the same time taking into consideration our shareholders' expectations around distributions.

In determining the distribution, we use distributable income (SA REIT funds from operations) and deduct the anticipated amount for refurbishments and developments, while ensuring that the distribution complies with the JSE Listings Requirements of a minimum distribution of 75% of distributable income (taxable income), considering the solvency and liquidity of the underlying property-controlled subsidiaries. The payout ratio for FY2024 was 78.9% and the distribution as a percentage of distributable income at company level was 99.9%, ensuring that the group remains a REIT.

Based on the above policy, the board of Octodec declared a final dividend of 65 cents per share on 20 November 2024, payable to shareholders on Tuesday, 17 December 2024. The total dividend for the year is 125 cents (FY2023: 135.0 cents) per share, a 7.4% decrease on the prior year.

The board has considered the solvency and liquidity of the group and is satisfied that the group has adequate cash resources and funding facilities.

Performance review

At a group level, revenue increased by 4.1%, rental income, excluding recoveries increased by 2.2% and, on a like-for-like basis, excluding the impact of the disposal of properties, rental income increased by 2.6%. The gas explosion and the weak economic environment were the main drivers impacting the results for the current year, with the properties directly exposed to Lilian Ngoyi Street, reflecting a decrease in rental income of R2.8 million and a decrease in net property income of R13.0 million year on year, which includes a bad debt provision of R12.1 million.

Despite management's focused efforts on containing costs below or in line with inflation, property operating expenses recorded an above average year-on-year increase of 7.7% from R1 067.1 million to R1 149.1 million, owing to rises in administered and regulatory costs, some of which were outside management's control.

Distributable net property income decreased by 1.4% from R940.3 million to R927.3 million. The decrease is attributable to non-recurring sundry income from the insurance relating to business interruption claims for loss of income incurred during the lockdown period as well as damage to a building, totalling R12.3 million included in the prior year. Adjusting for this non-recurring income in the prior year and, excluding the negative impact of the gas explosion, net property income would have increased by 1.3% compared to a decrease of 1.4%.

Income from the joint venture, which is represented by our 50% interest in Blaauw Village, a neighbourhood shopping centre in Pretoria North, has performed exceptionally well, increasing 17.3% on the prior year, mainly due to an increase in rental income.

Johannesburg CBD gas explosion (gas explosion)

Octodec owns 41 properties located within the Johannesburg CBD, of which 14 properties have been directly impacted by the gas explosion due to their location on Lilian Ngoyi Street. These properties comprise a combination of residential, retail street shops and office properties.

The damage that occurred in Lilian Ngoyi Street has not yet been repaired, and expectations are that the road repairs will only be completed between December 2025 and June 2026.

No material property damage to any of Octodec's properties has been reported to date, however, due to the lack of access to the properties as a result of the ongoing repair work, retaining tenants or letting to new tenants is significantly impeded. This has resulted in increased vacancies and arrears, and this is not expected to improve until such time that access to these properties has been restored and retailers can operate unhindered.

In the current year, rental income at these 14 properties decreased by R2.8 million to R115.7 million when compared to the prior year. However, although this is only a 2.4% reduction, the collection of rentals has been problematic and the provision for bad debts increased from 3.5% of gross revenue to 8.2% or R12.1 million. Although costs have been well contained, no assistance has been forthcoming from council for administered costs such as assessment rates. The resultant net property income of these assets decreased by R13.0 million or 22.3% year on year.

The insurance underwriters have accepted the liability, and management is currently working closely with Octodec's insurance broker and the appointed loss adjuster to quantify and agree the business interruption claim. The sub-limit per the insurance policy is R20 million but it is estimated that our claim will significantly exceed this limit.

Collections

The table below illustrates the collections as a percentage of total billings for the year:

	Total %	Commercial %	Residential %
30 September 2023	85.4	84.9	87.0
31 October 2023	102.3	101.8	103.9
30 November 2023	99.8	101.4	95.2
31 December 2023	89.3	89.1	90.2
31 January 2024	101.8	99.7	110.0
29 February 2024	115.2	119.0	104.9
31 March 2024	94.6	94.5	95.1
30 April 2024	106.1	104.9	109.4
31 May 2024	103.7	104.4	101.9
30 June 2024	91.2	91.5	90.4
31 July 2024	108.8	108.5	109.7
31 August 2024	110.5	109.8	112.7
Average	100.7	100.7	100.8

The collections for FY2024 have been pleasing, meeting our expectations, and reflecting the excellent work performed by the credit controllers.

Arrears

Tenant arrears have marginally decreased from August 2023 and are currently at 4.0% of rental income (FY2023: 4.2%) or 14.6 days (FY2023: 15.5 days). Tenant arrears and the expected credit loss are as follows:

	Commercial tenants R'000	Residential tenants R'000	Total R'000
August 2024			
Amount owing	73 461	18 710	92 171
Expected credit loss (ECL)	39 250	13 889	53 139
% ECL on amount owing	53.4%	74.4%	57.7%
August 2023			
Amount owing	74 516	19 701	94 217
Expected credit loss (ECL)	30 757	14 460	45 217
% ECL on amount owing	41.3%	73.4%	48.0%

Total arrears remained fairly stable, reducing slightly when compared to the prior year. However, the quality of the arrears has weakened, which is reflected in the increase in the ECL provided for commercial tenants. These provisions are largely attributable to a large tenant who is in business rescue, as well as several larger tenant failures. 53% of the commercial ECL represents ten tenants, of which nine tenants have either vacated or are directly impacted by the gas explosion. Where a tenant vacates or enters into business rescue proceedings, it is Octodec's policy to provide 100% of the arrears, regardless of the probability of recovery. There have been no major changes to the assumptions made in the calculation of the expected credit loss as compared to FY2023.

Although the provision for commercial ECL is outside the board's risk tolerance level, this is expected to be temporary and is being closely managed by management.

Investment property

Octodec has a diversified portfolio of 234 residential, retail, office, and industrial properties with a gross lettable area (GLA) of 1 524 479m², including 100% of our interest in the joint venture.

Reconciliation of GLA m²

	m ²
GLA at the beginning of the year	1 528 961
Disposal of four properties and two sectional title units	(8 548)
Remeasurements	4 067
GLA at the end of the year	1 524 479

Octodec retained a portion of its distributable income from 2023 in order to fund capital projects and tenant installations. During the reporting period, the group has invested R182.7 million in developments, improvements, as well as larger tenant installations, which will contribute to increased earnings.

Octodec has undertaken the following projects:

Residential

In line with our objective to refresh and refurbish our residential buildings to maintain our competitive edge, Octodec is currently refurbishing the common and entertainment areas at Ricci's Place, a mixed-use residential and retail building in the Johannesburg CBD, and Corner Place in Tshwane, which should be completed early in the new financial year. As reported in 2023, we continue to look for opportunities to convert and repurpose vacant office space to extract value from the existing portfolio. We began the conversion of a vacant office building, known as Prinsproes in the Tshwane CBD into residential accommodation, which will be branded as Yethu City. This conversion will offer a smaller product, aimed at a slightly lower entry point than Octodec's traditional residential units, with shared amenities such as living areas, kitchens and bathrooms. The conversion, which is estimated to cost R45.2 million at a marginal yield of 13%, is expected to be completed by December 2024, with occupation in January 2025. In addition, Octodec will install a solar system post the development to reduce the cost of electricity and provide backup power, which should further enhance the yield from this project.

At The Fields we have invested in providing student facilities, such as green spaces and an events centre, to provide conducive spaces for students to study, ensuring the building remains relevant and attractive in what is a highly competitive student market.

Commercial

During the year, we launched HealthConnect (previously known as Ina Building), which is adjacent to Louis Pasteur Medical Building. This vacant property was repurposed into a medical centre offering medical suites to doctors and medical specialists with direct access to Louis Pasteur Medical Building through a connecting bridge. This project was completed at the end of February 2024 at a cost of R57.4 million and a marginal yield of 13.1%, with occupation from March 2024. Although the occupation of the property has been slower than anticipated, closing at 41.3% at 31 August 2024, management believes in the long term strategy of re-establishing this asset, which previously did not contribute to Octodec's earnings.

During the year under review, a small upgrade of the Waverley Shopping Centre was completed, including the relocation of some tenants, painting and modernising the common areas and ablution facilities.

With persistent load shedding and other power outages during most of the reporting period, management has also focused on providing alternative energy solutions to tenants, through the installation of generators in several residential and office buildings, to ensure equipment such as lifts, water pumps and security systems remain operational, as well as allowing our office tenants to work during these periods. We have also completed the installation of solar panels at two of our shopping centres, Woodmead Value Mart and Blaauw Village, and at Sildale industrial park, and are in the process of completing a solar project at Silver Place (mixed use development). Management continues to investigate the installation of additional solar panels at some of our better-suited properties that have adequate and appropriate roof space, and where significant impact can be made to both the input cost of energy generation and the environment. A number of solar projects have commenced in the new financial year, including The Fields.

We have also invested in the replacement of air-conditioning systems in some of our large older buildings. This will improve the tenant experience and reduce the cost of energy generation. In addition, we have incurred capital expenditure on the old landmark building in Tshwane CBD, Bank Towers, previously tenanted by Nedbank, repurposing the ground floor into retail space for one of the large national retailers. We are excited that this deal will contribute to the trading densities within this area.

Disposals

The board and management of Octodec have identified and are committed to dispose of those properties that do not yield an acceptable return, or that no longer form part of the Group's core operations, and/or are located outside of our core investment nodes. Concluding the disposal of these smaller properties has been challenging, as the purchasers of these properties require financing which often results in either an unwanted delay to transfers or collapse of the deal. By 31 August 2024, the group had sold four non-core properties and two sectional title units at an exit yield of 5.5%, at a loss of R1.4 million or 9.1% to the carrying value of R15.1 million. The discount to carrying value of 9.1% is not significant as the average carrying amount of these assets was R2.5 million per property.

Octodec continues to investigate the possible redevelopment of the mothballed office buildings, however, affordability and location needs to be considered in determining whether these assets will be accretive to Octodec's financial position and earnings in the long term. The board has therefore mandated management to embark on a more aggressive approach in the disposal of its non-core assets, even if these may require disposals at a discount to their fair value, but such disposals will be earnings accretive.

As previously announced, the board is actively pursuing the disposal of the iconic Killarney Mall, and management remain committed to the disposal thereof. In the event of a disposal, the proceeds will be utilised to acquire assets that will complement the portfolio in the long term.

Investment property valuations

The property portfolio consisting of 234 properties, including the joint venture, was valued at R11.2 billion (FY2023: R11.2 billion).

In line with the group accounting policy, the entire portfolio is valued internally every six months; one third of the portfolio is valued externally every year, with half thereof valued externally in February and the remaining half in August. The carrying value of investment property was based on the internal valuations and there were no significant differences between the values derived by the external valuers and, the values determined internally.

The valuation method, which is based on the capitalisation of income, has remained unchanged from the prior year, with minimal changes to the valuation inputs such as expense ratios, vacancy factors and the capitalisation rates. The negative fair value change for the year of R161.5 million or 1.4% of the total carrying value was mainly due to weaker property fundamentals. Further information on the valuation of the portfolio can be found on pages 16 to 19 of the AFS on Octodec's website at <https://octodec.co.za/wp-content/uploads/2024/11/Consolidated-annual-financial-statements-FY2024.pdf>.

Borrowings and cash flow management

	31 August 2024 R'000	Weighted average interest rate per annum %	31 August 2023 R'000	Weighted average interest rate per annum %
Bank loans– secured	4 029.4	10.3	4 015.6	10.4
Domestic Medium-Term Note (DMTN) Programme – unsecured	379.8	10.2	330.4	10.4
Total borrowings	4 409.2	10.3	4 346.0	10.4
Cost of swaps		(0.8)		(1.2)
Total cost of borrowings	4 409.2	9.5		9.2

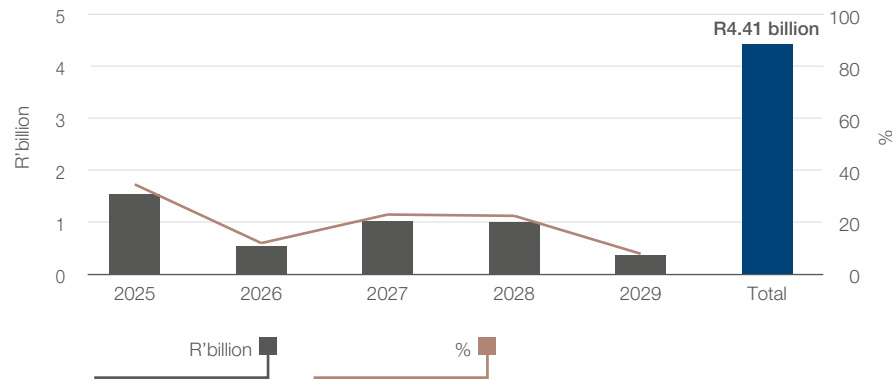
Octodec successfully refinanced R350 million of bank funding and R50 million of unsecured corporate bonds during FY2024, with tenors ranging between three to five years. Post year end, a further R370 million has been refinanced for a tenor of three years and negotiations are at an advanced stage to refinance a further R600 million which matures in June and October 2025. Octodec had unutilised available banking facilities amounting to R679.0 million at 31 August 2024 (FY2023: R735.3 million).

The weighted average term to expiry of the loans is 2.4 years (FY2023: 2.9 years) and the group's LTV increased from 37.7% at 31 August 2023 to 39.2% at 31 August 2024, largely due to the negative revaluation of the property portfolio of 1.4%. The LTV remains well within our guided range and our covenant levels of 50%.

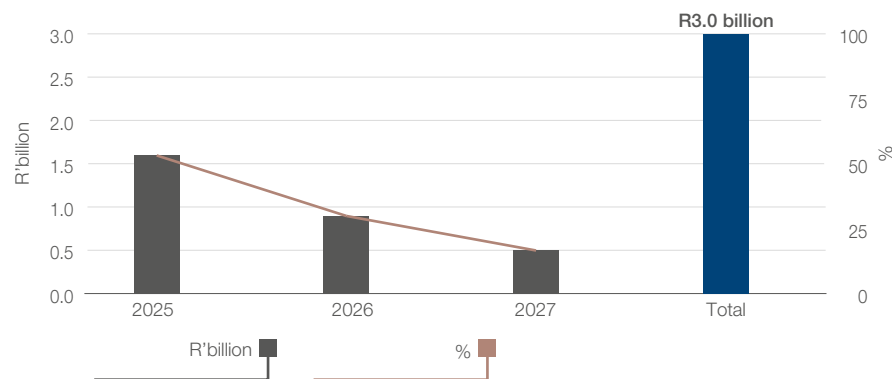
As at 31 August 2024, 68.0% of Octodec's borrowings were hedged (FY2023: 80.4%) with a weighted average term of 1.0 year (FY2023: 1.5 years). The all-in average weighted interest cost of borrowings is 9.5% per annum (FY2023: 9.2%).



Loan expiry profile



Interest rate derivatives expiry profile



Global Credit Rating's long and short-term national scale ratings remained unchanged at A-(ZA) and A2(ZA) respectively, with a stable outlook.

Loan covenants

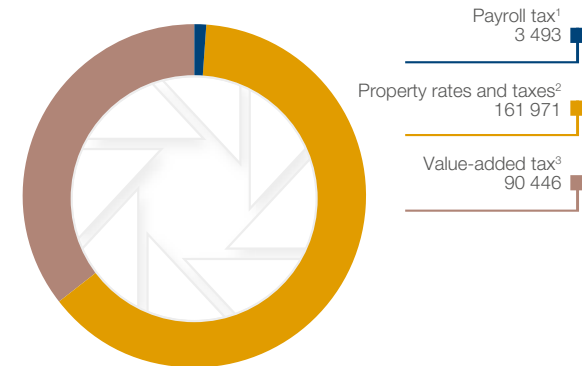
	Required	Actual		
		Funder 1	Funder 2	Funder 3
Group interest cover ratio – total portfolio (times)	Minimum – 2.0		2.1	
Interest cover ratio by secured property to lender (times)	Minimum – 1.8 to 2.0	2.2	2.0	2.2
LTV ratio – total portfolio (%)	Maximum – 50		39.8*	
LTV ratio by secured property to lender (%)	Maximum – 50 to 55	37.6	39.3	42.8

* Calculated in accordance with the loan agreements.

Tax transparency

Octodec is a committed, socially responsible corporate citizen and we continue to pay our equitable share of taxes, on time. The taxes we pay have a positive economic impact on the communities we operate in. The group's tax contributions for the 2024 financial year are set out below.

Tax type and amount (R'000)



¹ PAYE deducted from employees and directors, where applicable, and paid to authorities.

² Rates and taxes paid to local municipalities.

³ Value-added tax collected less amount claimed from authorities.

Prospects

There has been an increase in business confidence, following the creation of the Government of National Unity, with expectations of increased foreign investment. In addition, the interest rate cutting cycle which began in September 2024 will undoubtedly contribute to economic growth with reduced pressure on consumers and businesses ultimately supporting growth in our rental income. It will also contribute positively to Octodec's cost of funding, creating possibilities of unlocking value through potential redevelopment of underperforming properties. Similarly, the lower cost environment should boost demand from potential buyers of Octodec's properties earmarked for sale.

Management do not expect deep rate cuts but is cautiously optimistic with regards to the opportunities that it can create.

We are excited at the prospects of our Yethu City on Sisulu project and expect that this could ultimately unlock great redevelopment opportunities as a new brand within the affordable housing segment.





Over the last few years, Octodec has disposed in excess of 80 properties and the board and management are undertaking a strategic review of the property portfolio in order to focus its asset management on a portfolio that can yield increased returns yet remain invested in a well-diversified quality portfolio.

Riaan Erasmus has been appointed executive financial director and debt officer, as well as deputy chief executive officer of Octodec with effect from 30 November 2024. In these new roles, Riaan will be employed full-time by Octodec, specifically focusing on optimising the group's property portfolio and assessing the merits of the internalisation of the asset and property management services currently provided by City Property Administration. These responsibilities will sit alongside his primary duties as executive financial director and debt officer.

Despite the difficult trading conditions we are experiencing, the lower inflation and anticipated reduction in interest rates should support our earnings in FY2025 and this should translate into an increased distribution.

The importance of ESG

We integrate sustainability principles into all operations and City Property's property management KPIs which are linked to performance reviews. This includes integrating environmental sustainability into key services like facilities management, maintenance, and utilities. City Property also oversees ESG initiatives, ensuring Octodec's operations align with the following United Nations (UN) Sustainable Development Goals (SDGs):

SDG	Our contribution
	We implement water conservation initiatives and sustainable resource management practices across our properties, reducing water usage and ensuring efficient water management.
	We seek opportunities to invest in renewable energy solutions, including solar installations and energy-efficient technologies, supporting the transition towards a cleaner energy mix. We continually improve energy efficiency by upgrading infrastructure and retrofitting our properties with energy-saving technologies to reduce energy consumption.
	We invest in training and development programmes to empower young people with the skills needed for employment, focusing on reducing youth unemployment through meaningful career opportunities. We promote a safe and healthy working environment, support employee well-being, and uphold labour rights through ethical practices, fair compensation and strong governance frameworks.
	We invest in sustainable building practices and green technologies, focusing on retrofitting existing properties to improve resource efficiency and reduce the environmental impact of our urban developments.
	We contribute to urban regeneration by providing affordable housing options and upgrading infrastructure to enhance the quality of life in underserved areas, including central business districts. We actively participate in urban regeneration, improving infrastructure and engaging with stakeholders to create sustainable, inclusive urban spaces that support social and economic development. We implement waste reduction strategies and sustainable waste management practices across our properties while addressing air quality concerns through environmentally sound property management. We prioritise the creation of safe and accessible spaces in our properties, promoting inclusivity and community cohesion, focusing on the needs of vulnerable groups, including women, children and people with disabilities.
	We address climate change impacts by integrating climate resilience strategies in our property management and development, including energy-efficient retrofits and investments in sustainable technologies to reduce our carbon footprint.

Octodec aligns its ESG reporting with the JSE Sustainability and Climate guidance, refer to our ESG report on the Octodec website.

The Octodec board monitors performance through reports presented at the SERT committee and board meetings. In 2024, the SERT committee convened three times, and the board met eight times. Please refer to our governance summary on page 68 for an overview of the committee's focus areas.

Board oversight of ESG

The SERT committee oversees Octodec's adherence to relevant legislation, regulations and best practices related to the environment, social and economic development, corporate citizenship, remuneration, and transformation. Its responsibilities include:

- **Governance of stakeholder relationships:** Overseeing the enhancement of the quality and effectiveness of stakeholder engagement and ensuring high quality financial and reporting practices to address stakeholder needs.
- **Ethics and whistle-blowing:** Strengthening our ethics and whistle-blowing programmes to support employees facing increasing pressure.
- **Transformation:** Overseeing the implementation of initiatives to improve the B-BBEE rating and enhance reputation and impact.
- **Human capital (HC) strategy:** Overseeing the implementation and management of key HC policies.
- **Environment, health, and safety:** Overseeing the implementation of environmental, health, safety, and quality initiatives, including safety compliance in properties.
- **Remuneration oversight:** Ensuring fair and effective remuneration practices.

The committee is confident that Octodec remains committed to its environmental and societal responsibilities, with relevant policies and frameworks supporting social, economic, and environmental goals. Refer to the separate governance report at <https://octodec.co.za/investor-information/#reporting-suite>.

Our commitment to environmentally responsible outcomes

Octodec is strongly committed to environmental sustainability, recognising its significance for a thriving business.



We focus on robust methods to measure and report our impacts on greenhouse gas (GHG) emissions and energy, water, and waste resource efficiency. We appointed an external service provider to verify measurements and improve disclosure. We drive continuous improvement by monitoring our performance and we plan to set ambitious yet achievable targets. This will ensure a long-term positive impact on the environment and enhance our efficiencies.

We integrate sustainability principles into all operations and City Property's property management KPIs which are linked to performance reviews. This includes integrating environmental sustainability into key services like facilities management, maintenance and utilities.

City Property also oversees ESG initiatives, ensuring Octodec's operations align with sustainability goals. The Octodec board monitors performance through reports presented at board meetings.

Octodec focuses on refurbishing and repurposing existing buildings rather than new developments, resulting in a relatively low reliance on raw materials. We strive to incorporate sustainable architectural principles wherever feasible in our refurbishment projects.

We encourage our tenants to be environmentally conscious by informing them about the environmental issues we face in South Africa. Through blogs on our website, social media posts, and updates on our WhatsApp channel, we provide valuable advice for saving water and electricity.

117 653 845 kWh
of power consumed across the portfolio

A reduction of
2.4 million kWh
compared to 2023

Our carbon footprint reduced by
6 922 CO₂ tonnes
from reduced energy consumption

3 127 883 kWh
solar power generated at
five sites representing **6.3%**
of our GLA

1 486 309 kl
of water consumed across the portfolio

A reduction of
96 million litres
compared to 2023

Our carbon footprint reduced by
90 CO₂ tonnes
from reduced water consumption

20 new smart water meters were installed
at our properties, bringing the total installed
to **47** representing **34.8%**
of our GLA

930 tonnes
total waste recycled
(2023: 813 tonnes)

411kg
e-waste disposal conducted according
to strict policies and protocols
(2023: 1 800kg)

Greenhouse Gas emissions

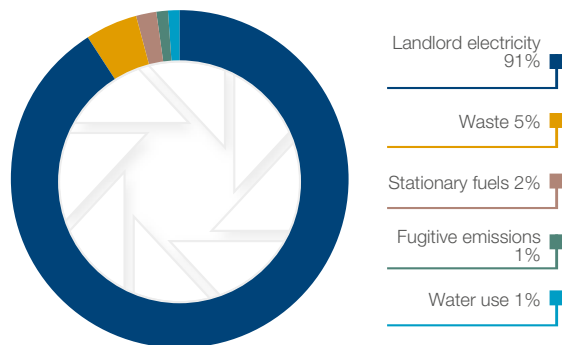


GHG emissions refer to the release of greenhouse gases into the earth's atmosphere. These gases trap heat from the sun and contribute to the greenhouse effect, leading to global warming and climate change. Human activities, such as burning fossil fuels and industrial processes are the primary sources of GHG emissions. Reducing these emissions is crucial to mitigate the effects of climate change and promote a sustainable future.

As part of our ongoing efforts, we established a baseline for our carbon emissions and are working towards setting targets for their reduction:

Scopes	Emissions tCO ₂ e
Out of Scopes	99
Scope 1	2 090
Scope 2	110 338
Scope 3	8 585
Total	121 112

Octodec carbon footprint in 2024



Emissions per sector

Class	Emissions tCO ₂ e	YoY %
Electricity	110 338	28.4 ▼
Fuels	1 679	53.1 ▼
Fugitives	1 265	103.8 ▲
Waste	6 442	49.9 ▼
Water	1 389	6.1 ▼
Total	121 112	29.8 ▼

The increase in fugitives was mainly due to fuel usage that increased with the increased load-shedding at the beginning of our financial year.

We are excited that our Emissions dashboard is live as it enabled us to verify data completeness and accuracy and do trend analysis.

Emissions

121 112 tCO₂e

▼ 29.81%

(2023: 172 545 tCO₂e)

Energy

117 653 845 kWh

▼ 2.06%

(2023: 120 113 006 kWh)

Waste

5 386 225kg

▼ 45.69%

(2023: 9 849 746kg)

Water

1 486 309 kl

▼ 6.06%

(2023: 1 582 206 kl)

Resource efficiency

We prioritise resource efficiency, implementing effective maintenance practices and sustainable waste management, including recycling solutions across our portfolio. Dedicated engineering, utility and metering teams ensure responsible consumption monitoring, measuring and reporting.

Energy efficiency

We implement energy efficiency measures to decrease energy consumption, lower carbon emissions, and reduce occupancy costs for tenants where feasible.

All eligible buildings have been registered and certified with Energy Performance Certificates (EPCs) within regulatory timelines. We will use the data from these certificates to further enhance our energy efficiency efforts.

Our approach includes holistic assessments of entire buildings to maximise energy efficiency. This year energy management projects were implemented at 5 buildings, which included replacement of old technology equipment and energy efficiency measures to reduce consumption over the long term

We explore integrated energy systems to balance solar, generator, and municipal electricity sources to keep tenants trading through power outages and reduce carbon emissions.

Timers, sensors, light replacements and emergency lighting

As part of our efforts to reduce our carbon footprint and reduce energy consumption, the following initiatives have been implemented at 11 buildings representing 11.1% of our GLA.

- More than 3 000 old technology light fittings were replaced with energy efficiency LED lights
- Installed occupancy sensors in all common areas to ensure that lights are only on when needed

Reducing our consumption by approximately 80 000 Watt.

Energy reduction initiatives at our buildings

	2021	2022	2023	2024
Energy-efficient LED lights	4	16	7	11
Occupancy sensors	–	10	6	9
Timer installations	–	3	6	1
Emergency light installations	–	8	8	3

Solar installations

Identifying and implementing effective solar solutions at buildings is a large part of our resource efficiency strategy for the portfolio.

Solar installations completed to date and in progress at year end:

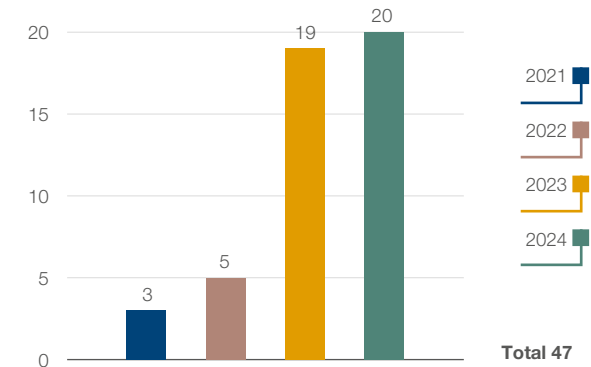
4 shopping centres, 3 industrial parks, 1 office building and 2 mixed use developments (residential, retail and offices) with a total GLA of 13.6% of our total portfolio.

Once completed, these installations are expected to generate approximately 5 643 201 (5.7 million) kWh per year reducing our carbon emissions by 5 445 tonnes.

Water management

The Sensus Smart water meter allows users to remotely access (in real-time) each building's consumption pattern, optimising operations and realising savings through early leak detection.

Sensus Smart water meter installations



Any cases of high consumption are referred to a dedicated utilities team that investigates them immediately. Our landscaping suppliers use low-maintenance indigenous plants and water reduction drip-line irrigation.

Tenant water-saving initiatives and sustainability

As a water-scarce country, we encourage water-saving with tenant communication drives and building signage.

We use borehole water at Waverley Plaza, Woodmead Value Mart and Killarney Mall shopping centres to irrigate the gardens and supply water to toilets.

The Council's ongoing supply of clean, safe water is essential to our tenants.

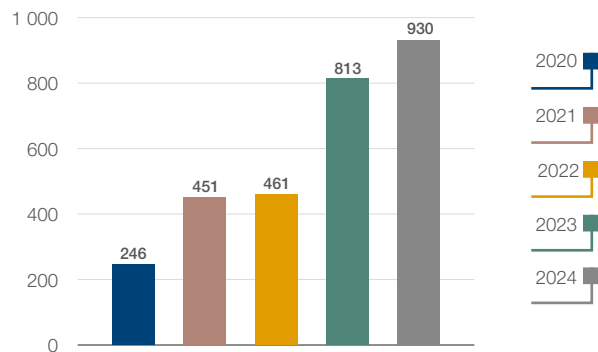
We continue to investigate further proposals for sustainability and water treatment for recycling. Initiatives at shopping centres have significantly reduced water usage through smart fixtures and tenant campaigns. We also use low-maintenance indigenous plants to reduce water consumption in our landscaping efforts and we are exploring the viability of grey water systems.

In response to the recent water crisis in Johannesburg, we are exploring alternative water sources, and developing a longer-term water resilience strategy.

Waste management

Octodec utilises the services of specialised recycling companies and ensures on-site waste management and specialised waste bins for tenants. Our waste management strategy includes partnering with informal traders for recycling, which supports local employment and community impact. Although recycling targets were affected by buy-back centre closures, we are exploring private landfills and other solutions to achieve zero waste to landfill.

Total recycling in tonnes



Waste categories

	FY21	FY22	FY23	FY24	FY25
Batteries – Open loop (kg)				430	169
Commercial and industrial waste – Open loop (kg)					102
General Landfill SA (kg)	8 742 445	8 591 286	8 807 751	4 418 601	381 559
Glass – Open loop (kg)	6 940	39 754	174 369	114 135	10 819
Metal: aluminium cans and foil (excl. forming) – Closed loop (kg)	1 554	4 037	13 630		
Metal: steel cans – Closed loop (kg)	4 731	12 000	25 078		
Metals – Open loop (kg)				34 590	3 540
Organic: food and drink waste – Composting (kg)	8 840	10 271	32 233		
Organic: food and drink waste – Open loop (kg)				40 672	4 510
Organic garden waste: Open loop (kg)				3 181	1420
Paper and board: board – Open loop (kg)				484 592	40 909
Paper and board: mixed – Closed loop (kg)	157 135	223 724	515 525		
Paper and board: mixed – Open loop (kg)				5 518	278
Paper and board: paper – Closed loop (kg)	37 084	33 457	83 490		
Paper and board: paper – Open loop (kg)				83 309	5 345

411kg e-waste disposal conducted according to strict policies and protocols (2023: 89.7kg)



Turning trash into treasure



The closure of landfills has intensified our efforts to achieve zero waste to landfill and enhance recycling initiatives. In the world of waste management, buy-back centres are crucial for purchasing recyclable waste. However, the recent shutdown of several centres has significantly hindered our ability to recycle effectively at ten of our buildings. While this disruption presented a challenge, it also opened the door to innovative solutions.

Sizwe from Prospective Green Energies recognises opportunities where others see obstacles. He employs informal traders to sort recyclables and secured funding to purchase a truck for transporting these materials to buy-back centres, which are now farther away due to the closures. This initiative supports 24 employees in Johannesburg and Tshwane, including sorters, supervisors, drivers, and a manager, providing them with a stable source of income. This solution alleviated the financial burden on Octodec to manage the recycling and simultaneously created jobs – a win-win scenario.

Our social impact story

We are dedicated to urban regeneration and the holistic growth of our communities and employees.



We strive to enhance community well-being by providing safe and inviting work, living, and recreation environments. We attract new tenants through innovative residential and commercial options and ensure dignified living, even in challenging economic conditions. Our empathetic engagement with tenants reflects our commitment to understanding and addressing their needs.

We collaborate with industry peers and stakeholders to strengthen our social responsibility and contribute positively to society. For our employees, we prioritise stable employment, personal growth and relevant skills development, upholding a culture of ethics and integrity. We support their well-being with fair remuneration and emotional support services, ensuring a thriving and fulfilling work environment.

Octodec houses **16 089** people in affordable apartments with play areas for children, entertainment areas, laundry facilities, and free Wi-Fi.



Jet, Bank Towers

Urban regeneration

As pioneers in mixed-use spaces within the CBDs, we are dedicated to evolving with the needs of those who value the convenience of urban living, working, and shopping.

We revitalise spaces to instil pride among tenants, providing clean, secure, and well-maintained environments for living, working, socialising, and shopping.

Our diverse portfolio of high-quality properties and mixed-use developments creates vibrant precincts that drive economic activity in CBDs and surrounding urban areas. We support the growth of small businesses, entrepreneurs, and established enterprises.

We engage actively with our supply chain to foster the development of small businesses and maintain strong connections with formal and informal community stakeholders. Through our CSI initiatives, we focus on impactful projects that address social inequality and contribute positively to our communities.

R181 million

spent on upgrading buildings to provide lifestyle enhancements for tenants, their patrons and visitors to the area

R104 million

spent on building maintenance and repairs to provide light, bright and safe spaces for the emerging middle class

R137 million

spent on security and cleaning services to enhance tenant well-being

R1.3 million

Invested over the past 7 months in an initiative to help clean the Tshwane inner city

Land management and heritage buildings

We focus on redeveloping existing buildings rather than developing new land.

This approach supports environmental protection by avoiding habitat destruction and biodiversity loss, as well as addressing socio-economic and human rights concerns related to land use. By redeveloping, we contribute to environmental sustainability and social responsibility by providing quality, affordable spaces for living, working, and relaxing without encroaching on natural ecosystems.

We manage heritage buildings carefully, ensuring all alterations comply with regulations and permits. This approach preserves their historical and cultural value while integrating them into our redevelopment projects. This year, after a banking tenant vacated a large retail space in a heritage building in Tshwane, we welcomed a new tenant, Jet, while carefully preserving all the building's heritage features.

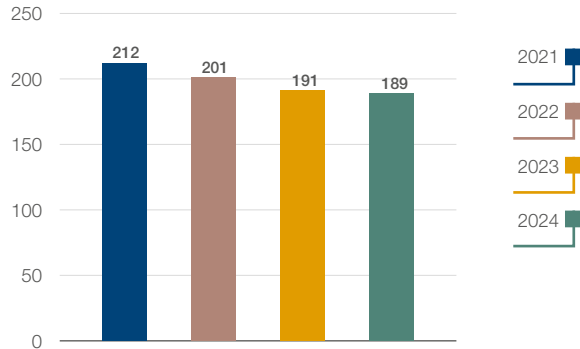


Our people



Octodec employs 189 people with an average tenure of 12.0 years, indicating a stable and experienced workforce.

Number of employees



Property and tenant management is outsourced to City Property (see page 3). While their employee practices are excluded from this report, their performance directly impacts Octodec, and maintaining open communication, transparent reporting, and trust between the Octodec board and City Property executive management and employees is essential.

City Property employs 442 people, including:

- 44 property managers
- 15 portfolio managers

We aim to provide meaningful employment to Octodec employees and develop future-fit skills.

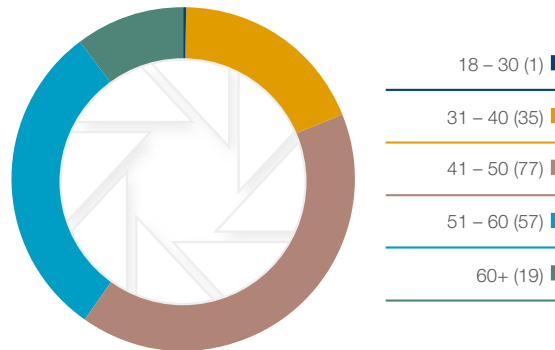
Diversity and inclusion

We embrace diversity and inclusion, and our employment equity committee monitors compliance with the Department of Labour's targets.

93%

of our employees are black
(2023: 93%)

Number of employees by age group



21%

of our employees are women
(2023: 21%)

New employee hires by region

- Tshwane **7**
- Johannesburg **4**

Octodec's employees comprise mainly building managers, and to a lesser extent cleaners and handymen. The nature of the work of a building manager lends itself to a male dominated workforce due to their exposure to volatile situations. Consequently, Octodec's employees are weighted towards male employees, who are naturally more adapt to address these situations.

Octodec has a mature system of ethics and procedures. We maintain a whistleblowing register that tracks employee, supplier, and tenant reports. Octodec values individuals' rights to remain anonymous when reporting non-compliance through our externally outsourced Be Heard® hotline.



Training and development

We continue to develop our employees' skills through on-the-job training and in-depth mentoring.

Training in 2024

Octodec invested 4 826 hours in training our employees, enabling them to achieve the company's strategic objectives.

During the year seven employees obtained their NQF4 Real Estate qualifications and one employee obtained the Electrical trade test. 58 employees obtained their first aid certificates and 53 their fire-fighting certificates.

Training in 2024	Number of employees	Number of hours per employee	Key training themes align with strategic objectives
Step ladder training	85	7	Building managers learn to manage risks, respond to emergencies and promote safety while complying with OHS regulations.
Emergency response training	150	7	
First aid	58	16	
Fire fighting	53	4	
Condemned fire extinguisher	1	1	
Hot works	1	1	
Building managers course	46	64	Building managers address key challenges and collaborate with each other to support a learning culture.
Building employees refresher induction	61	5	
NQF4: Real estate	7	136	Nominated employees gained industry qualifications in property management or leasing, boosting career opportunities and meeting regulatory standards.
Electrical trade test	1	160	
Employment equity committee training	10	6.5	Committee members are trained on their roles and responsibilities to ensure compliance and represent employees effectively in the employment equity and training committees.
Skills development committee training	5	8	
Building ethical fitness	55	2.5	Employees are taught to resist unethical behaviour, apply group values, and report misconduct to support integrity.
Financial fitness	85	2.5	Employees are guided on budgeting, debt management, and accessing company benefits to improve financial wellness.
Two-pot system conversations	25	2.5	
Discovery wellness days	55	2.5	Employees are encouraged to take responsibility for their health, promoting early intervention and workforce productivity.
Cyber security awareness	102	1	Employees receive tools to manage stress, reduce stigma around mental health and promote emotional well-being.
ESG and sustainability master class 2024	1	16	Employees are trained to recognise and report cyber risks, helping protect the business, and improve security awareness.
Compliance risk management plans	1	8	
Introduction to compliance	1	8	Embedding ESG in what we do.
Generally accepted compliance practice framework	1	8	
Check-It - automated toolkit for building inspections	61	2.5	Creating a compliance driven culture
New employee induction	3	2.5	Building future-fit employee



Remuneration

We ensure fair remuneration aligned with market benchmarks and offer on-site accommodation for our residential building managers. Our commitment to equality ensures no pay disparity between male and female employees. Refer to the remuneration outcomes summary on page 75. The remuneration review is available at <https://octodec.co.za/investor-information/#reporting-suite>.

Health and safety

Octodec offers well-maintained, secure and affordable housing, and safe and accessible spaces for work and retail. We strive to offer well-managed living spaces for lower- to middle-income residential tenants, providing them an alternative to overcrowded and less desirable environments.

To ensure the safety and well-being of our tenants, suppliers, and visitors, we employ dedicated building managers available on-site 24/7. Our commitment to health and safety includes employee occupational health and safety training, and heightened tenant awareness of protocols.

A reviewed occupational health and safety policy was implemented in 2023, which is overseen by the health and safety committee.

No significant occupational health and safety incidents or serious injuries were reported during the year.

Enterprise and supplier development

Octodec also supports many small businesses in our value chain of building maintenance, refurbishments, developments, cleaning and security. We ensure that our supplier base meets property-specific B-BBEE transformation goals.

R281 million

spent on procurement from black-owned companies, which represents

23%

of total procurement

75%

of the 510 suppliers Octodec procured from comply with B-BBEE requirements

R20.2 million

invested in accelerating our supply chain's business success through various enterprise and supplier development initiatives

Less than 30 days

favourable payment terms to improve suppliers' cash flows



Corporate social investment

Our CSI approach is rooted in our commitment to urban regeneration. We believe in making a positive impact on the communities surrounding our properties. When selecting non-profit organisations (NPOs) to support, we identify organisations that promote education, empower underprivileged families and assist communities in need.

We invest in initiatives that contribute to the overall growth and well-being of the neighbourhoods where we operate, creating a positive ripple effect for the future.

R2.1 million in CSI spend

R1.9 million

invested in support of children and homeless people, including

3.7 million meals.

This includes partnerships and collaborations with Dis-Chem Foundation, FutureLife, Cotlands, Rise Against Hunger, and Forever Friends, among others.

R0.2 million

invested in education-related projects.

This includes sponsoring learners at the People Upliftment Programme and Walter Sisulu Environmental Centre and providing funds to the ACFS Community Education and Feeding Scheme. Kibooks, a free online reading platform, is also available to children in our buildings and our employees.

R0.7 million

in free rental space offered to select NPOs, including Dignity Dreams, Cotlands, and Santa Shoebox.

Assisting communities in need

Feeding our future



A nationwide initiative providing 2.4 million meals to preschool children in need across South Africa each year. Octodec is an official partner with the Dis-Chem Foundation, FutureLife and Nivea.

In 2024, we increased the project to provide 3.6 million meals.

Unchain our children

A non-profit organisation dedicated to addressing homelessness, child prostitution, child abuse and other human rights violations.

Octodec assisted with creating much needed storage space for the donations they receive as well as assisting them with marketing materials, groceries, toiletries and stationery for the people they rescued.

Door of Hope

This NPO has been rescuing abandoned babies for 22 years in the heart of Johannesburg CBD.

Octodec contributed by upgrading their kitchen facilities.

Forever Friends



This NPO collaborates with the Department of Social Development to support abused and abandoned children, as well as their families and communities. Children placed in shelters receive a LifeLine Kit.

Octodec sponsored 300 LifeLine Kits to aid children who were rescued and taken to safe places.

Santa Shoebox



The Santa Shoebox Project collects and distributes personalised gifts of essential items and treats to disadvantaged children across South Africa and Namibia.

With the help of City Property, Octodec brought smiles to 652 underprivileged children through this project.

A partnership for community healthcare

We partnered with Dis-Chem to open the Dis-Chem Community Clinic in Tshwane in February 2024. The clinic, born from Dis-Chem's outreach efforts, offers essential medical care through affordable, appointment-based visits. To support this initiative, we upgraded and provided a dedicated space rent-free for five years.

This partnership aligns with our commitment to making a meaningful impact by improving community services, including ensuring access to affordable healthcare. This initiative complements our ongoing support for organisations like ACFS, Unchain our Children, and Cotlands. We also completed the HealthConnect Medical Centre in Tshwane, providing medical suites for healthcare professionals.



Education and feeding support

Rise Against Hunger

Rise Against Hunger is growing a global movement to end hunger by empowering communities, nourishing lives and responding to emergencies. For over five years we have been committed to this project, providing almost 630 000 meals in that time.

In 2024 Octodec, with the help of City Property employees, came together at 012central to pack over 129 000 meals for Rise Against Hunger which will feed 500 children with five meals a week for an entire year.



ACFS Community Education and Feeding Scheme



ACFS empowers communities through skills development, helping them achieve self-reliance and independence. We have amongst other support, assisted in the creation of four food gardens.

2024 saw the first Pretoria food garden established at Meadowlands Centre. This food garden feeds approximately 1 300 children daily. It also serves as a training base for 40 youth to obtain their level 1 agricultural certificates annually.

Empowering young minds with Kibooks

Kibooks is a digital library that fosters a love of reading in children of all ages, featuring over 6 000 titles in South Africa's 11 official languages.

Octodec provides free access to this platform for young readers in our buildings, encouraging families to use Kibooks for their children's education. We have also extended access to our employees to promote a shared passion for reading.

Walter Sisulu Environmental Centre



An award-winning environmental centre that offers educational activities to support teachers and engage learners through outcomes-based exercises in a fun and informative manner.

Octodec assisted with an upgrade to their facilities including their bathrooms and fencing.

Free rental space for selected organisations

Dignity Dreams



Value: R62 000

Dignity Dreams helps girls and women reclaim dignity lost to poverty, enabling them to positively impact their communities. Octodec has supported this cause for many years by providing rent-free operational space.

Cotlands



Value: R190 000

Cotlands promotes equality by offering play-based early learning opportunities for young children. This is our fourth year providing office space for their team.

Santa Shoebox



Value: R222 000

This project collects and distributes personalised gifts for underprivileged children across South Africa, reaching over a million. Octodec provides free rental space for their operations.

Dis-Chem Community Clinic

Value: R200 000

Dis-chem offers affordable care through appointment based visits. Octodec supports this initiative by providing rent-free space for this organisation for a period of five years.

Tshwane Barekisi Women's Desk



Value: R32 000

Supporting female informal traders, we assist this group as part of our community engagement initiatives.

A commitment to early childhood development

We launched the Kamane Educare Centre, a transformative ECD facility in Tshwane. The centre addresses the pressing need for accessible, high-quality services in the area by offering a Cotlands early learning playgroup programme with annual lesson plans that nurture children's cognitive, social, emotional, and physical development.

This initiative aligns with our ongoing efforts to enhance the quality of life in Tshwane's CBD and supports community well-being. Our long-standing partnership with Cotlands includes providing rent-free space for their head office. At the same time, City Property actively supports a skills development programme that focuses on Cotlands' accredited teacher training.

By investing in the Kamane Educare Centre, we are promoting accessibility, supporting working families, and fostering early childhood development, helping to break the cycle of poverty and strengthen community cohesion.





One on Mutual



Governance summary

This summary highlights key governance matters for 2024. For comprehensive details on governance structures, processes and King IV™ alignment, please refer to our governance and remuneration report.

The Octodec board's governance approach is built on ethical conduct, transparency, accountability and sustainability. As the highest governing body, the board is committed to ethical and responsible leadership and acts as the custodian of corporate governance.

Lead independent director's review

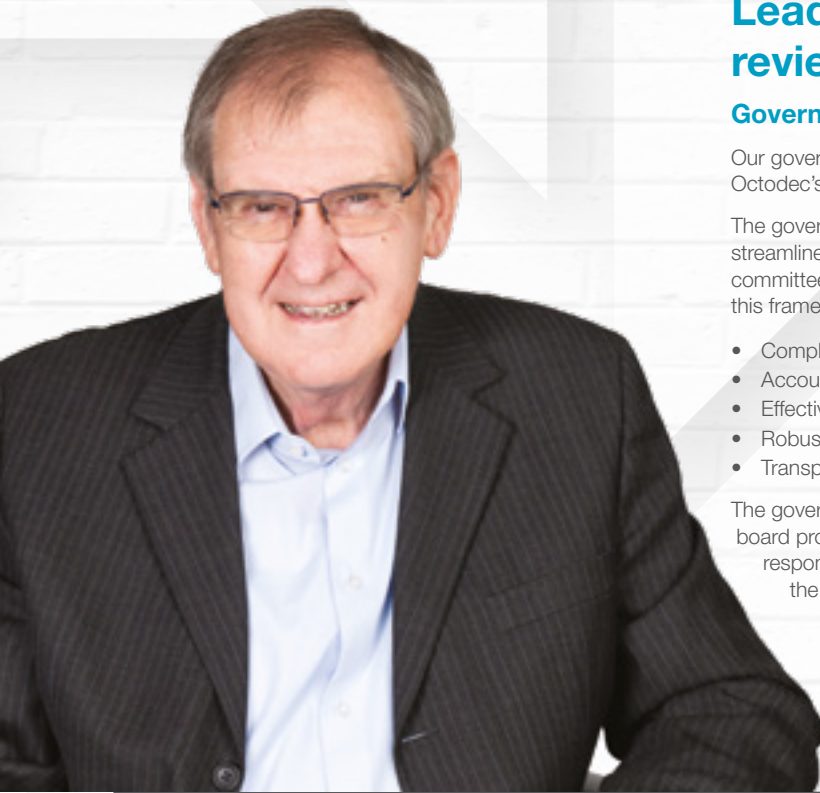
Governance approach and framework

Our governance practices drive sustainable value, securing Octodec's social license to operate and building stakeholder trust.

The governance framework outlines processes that promote streamlined, outcomes-based decisions. Supported by board committees, administrative structures and compliance processes, this framework ensures:

- Compliance with legal and regulatory requirements.
- Accountability to stakeholders.
- Effective leadership and decision-making.
- Robust risk management and mitigation.
- Transparent integrated reporting.

The governance framework is regularly evaluated to ensure the board provides effective and ethical leadership, operates as a responsible corporate citizen and makes decisions that promote the long-term sustainability of the business.



Pieter Strydom

Lead independent director

Board focus in 2024

Outcomes from our interactions with our investors

Management regularly engages with investors following the release of both interim and annual results, fostering an open dialogue to address any operational or governance concerns raised. These interactions are critical in aligning investor expectations and Octodec's strategic direction.

Given the challenging economic climate and persistent municipal issues in Tshwane and Johannesburg – areas where Octodec's core assets are located – the majority of discussions have centred on operational challenges. Further insights into operational performance can be found in the COO's reflections on page 38 and in the financial director's report on page 50.

In addition to these operational discussions, investors have emphasised the following key concerns:

1. **Killarney Mall management:** Killarney Mall is one of Octodec's most significant assets. However, it has experienced declining returns over the past few years, raising questions among investors regarding its long-term role within the portfolio. The board has applied itself to this issue and, after analysis, determined that selling the asset is the best strategic course of action. This decision considers its size and impact on overall performance. We believe that the disposal will optimise the portfolio and align with Octodec's strategic objectives.
2. **External management structure and succession planning:** Investors have voiced concerns about Octodec's external management structure and the lack of a clear succession plan for the CEO. Many perceive that these factors and the tenure of certain board members, may be contributing to a more traditional, less adaptable approach to property investment. The concern is that this potentially limits the company's ability to respond to industry changes. The board is addressing these concerns.

Detailed information on the potential internalisation of the asset and property management services currently provided by City Property, changes to board and board committees and succession planning is available on page 12 of our governance and remuneration report.

These ongoing engagements highlight Octodec's dedication to aligning with investor priorities by:

- implementing strategic changes,
- enhancing governance practices, and
- adopting a proactive approach to portfolio management.

Octodec aims to strengthen its resilience and responsiveness in a dynamic property landscape by adapting to market and operational challenges. This forward-looking approach ensures that Octodec remains well-positioned to meet evolving investor expectations while building a foundation for long-term success.

Financial director succession

Anabel Vieira retires as Octodec's executive financial director, prescribed officer and debt officer at the end of 2024. The board, with the assistance of the nominations committee, has overseen the forward-looking, orderly succession and transition that has accommodated appropriate onboarding, induction and handover by Anabel.

In line with the succession plan of the board and in accordance with the group's board nomination policy, Riaan Erasmus, who has been employed by City Property since January 2022, succeeds Anabel on 30 November 2024. Riaan currently oversees the team dedicated to the financial affairs of Octodec within the City Property finance department and plays an integral role in the financial reporting and treasury management of Octodec. He also assists and supports Anabel where necessary. Riaan brings extensive experience from his previous roles.

The board is confident that this structured succession plan will ensure a seamless handover and effective collaboration.

Further discussion topics

The board deliberated on the following key focus areas to ensure robust governance and alignment with Octodec's objectives, including:

- **Future focus:** Maintaining a relentless focus on understanding Octodec's strategy and its future. The updated strategy was presented at the strategic session on 31 July 2024. It has prioritised the disposal of non-performing assets and the acquisition of yield-enhancing assets to grow distributable income.

- **Implementing and monitoring the succession plan for the CEO:** Following the recommendation of the nominations committee in line with the company's policy dealing with the nomination of directors and succession planning, it was announced on SENS on 25 October 2024 that the board appointed Riaan Erasmus as the deputy chief executive officer of Octodec. This is in addition to his role as the executive financial director and debt officer with both appointments becoming effective from 30 November 2024.

The basis of the appointment is in line with the longer-term view of Riaan eventually taking up the position of chief executive officer. Riaan's role as deputy chief executive officer will entail working with the current chief executive officer, Jeffrey Wapnick. This will further the company's corporate strategy to optimise the group's property portfolio and assess the merits of the internalisation of the asset and property management services currently provided by City Property.

- **Governance in a volatile environment:** Enhancing the board's ability to govern through ongoing uncertainty and volatility, focusing on how management addresses geopolitical and economic risks and uncertainty. Emerging risks are tracked and monitored continuously, formally reported monthly and discussed with management. The chief risk officer continues to monitor the risks already identified and the impact that uncertainty and volatility, including geopolitical and economic risks, have on the group. The extent to which these risks are improving, have stabilised, or are deteriorating as a result of the change in the environment in which we operate is also assessed and formally reported to the risk committee quarterly.
- **Strengthening board oversight with a focus on ESG:** Prioritising board oversight through an ESG-focused lens, encompassing climate risk as well as diversity, equity, inclusion, and belonging (DEIB). These elements are fully integrated into Octodec's risk management and strategic discussions.

Monitoring local and global regulatory developments to clarify the role of the committees in overseeing Octodec's ESG and climate risks and the scope and quality of ESG/sustainability reports and disclosures. Climate risk and DEIB have been included in Octodec's risk registers as well as Octodec's human resources policies. These are further considered in our strategy. Local and global regulatory developments are closely monitored to assess their impact on Octodec, with recommendations provided to management and the board when action is required. Significant progress has also been made in developing Octodec's comprehensive sustainability finance framework.

The board will remain committed to deepening its understanding of Octodec's strategy and driving its ongoing advancement. Our goal is to integrate sustainability more thoroughly into the business, making it a foundational element of Octodec and City Property's operations. Additionally, we will continue to prioritise effective board retention and succession planning to ensure strong, forward-looking leadership that supports our long-term vision.

In closing

As the lead independent director, my role involves overseeing the adherence to rigorous corporate governance standards and managing potential conflicts of interest. I am grateful for the dedication of the chairman and board, who have devoted considerable time and effort to the governance of Octodec. I also extend my sincere appreciation to my fellow non-executive directors for their invaluable contributions.

Pieter Strydom
Lead independent director

20 November 2024



Board of directors

Non-executive directors



Sharon Wapnick
Non-executive chairman

Committees: N, R, S



Myron Pollack
Non-executive director

Committees: D, R, S

- A** Group Audit committee
- D** Director up for rotation at the AGM
- I** Ad hoc independent subcommittee
- N** Nominations committee
- R** Risk committee
- S** SERT committee

Refer to our separate governance and remuneration report for details on directors' qualifications, tenure, other directorships and insights into the board's sector experience and core skills at <https://octodec.co.za/investor-information/#reporting-suite>.

Non-executive directors



Richard Buchholz
Independent non-executive director

Committees: A, D, R, S



Nyimpini Mabunda
Independent non-executive director

Committees: D, S




Pieter Strydom
Lead independent director

Committees: A, I, N, R, S




Derek Cohen
Independent non-executive director

Committees: N, S



Maggie Mojapelo
Independent non-executive director

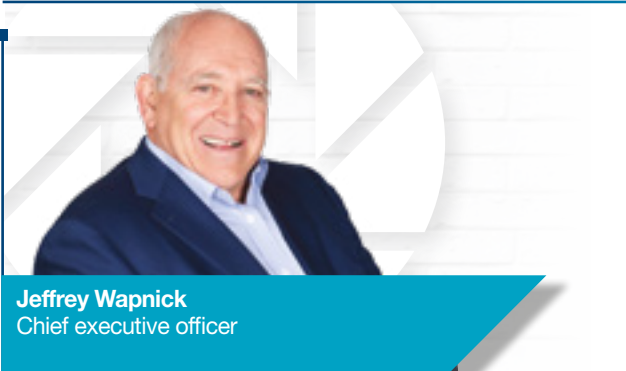
Committees: N, S



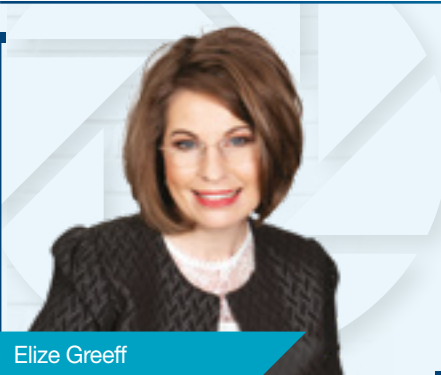
Louis van Breda
Independent non-executive director

Committees: A, I, R

Executive directors



Group company secretary



Elize is independent of management, the company and the group and appropriately supports the board and board committees in the execution of their duties in line with regulatory requirements.

The board endorses the King IV™ principle of having an arm's length relationship with the group company secretary, which has created an environment in which she can ensure full adherence to board procedures and relevant regulations. Elize Greeff, a full-time employee of Octodec, is not involved in an executive capacity on the boards of the subsidiary companies within the group.

She has more than 20 years of accumulated experience as a company secretary and corporate lawyer and:

- Continues to demonstrate the requisite level of knowledge and experience to carry out her duties.
- Administers the proceedings and affairs of the directorate and the group in accordance with relevant laws and best practice.
- Effectively performs the role of independent gatekeeper of good corporate governance.

During the annual evaluation, the board once again expressed a high level of comfort and satisfaction with Elize's skills, competence, performance, values and experience.

The board also confirmed her objectivity, gravitas and arm's length relationship with the board.

Our governance structure

Our governance structures and processes enable oversight and ensure that the group is on the right journey to deliver our vision. The governance framework articulates how decisions are made not only in compliance with legal and regulatory requirements but also drives streamlined outcomes-based decision-making. Several governance policies provide context for execution in terms of the delegation of authority.

Shareholders and other stakeholders

Our corporate governance philosophy and practices are aligned with the four governance outcomes recommended by King IV™:



Ethical culture



Effective control



Legitimacy



Good performance

Board of directors

The board is the custodian of corporate governance and is the highest governing authority of the group.

Chairman

The chairman sets the ethical tone for the board and the group and is responsible for leading the board and its effectiveness.

Chief executive officer

Jeffrey Wapnick is accountable to the board for all group performance and management aspects.

Board committees

Board committees are established with delegated authority from the board. These committees promote independent judgement, a balance of power, role clarity and effective discharge of duties at the board, board committee, executive and management levels.

Lead independent director

To guard against a perception that conflicts of interest could arise between the Wapnick family and other shareholders, the board annually elects an independent non-executive director to act as the lead independent director.

Financial director

Anabel Vieira is accountable for financial performance.

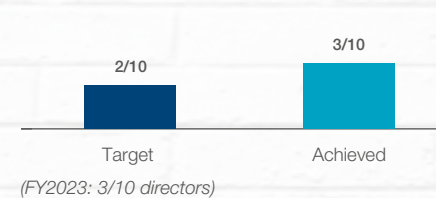
Our long-standing non-executive directors provide the board with valuable insight and perspective across South Africa's economic environment, particularly the property and financial sectors.

Diversity and inclusiveness

Gender diversity

In terms of Octodec's Policy on the Promotion of Race and Gender Diversity at board level, the existing FY2024 board-approved voluntary targets for achieving gender diversity are:

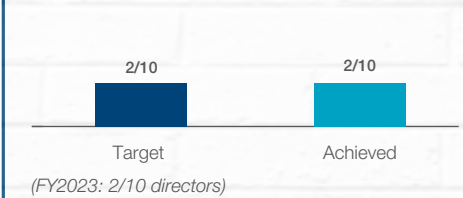
Female representation – Female directors



Race diversity

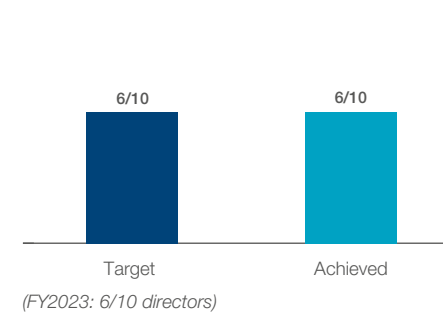
In terms of Octodec's Policy on the Promotion of Race and Gender Diversity at board level, the existing FY2024 board-approved voluntary targets for achieving race diversity are:

Black representation – Black directors

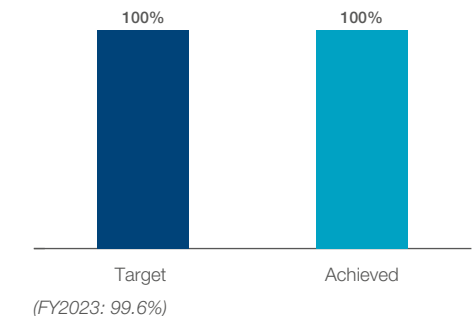


Regrettably, our score for FY2025 is expected to decline following Anabel Vieira's retirement. However, achieving these targets will remain a crucial factor in the selection of additional independent non-executive directors.

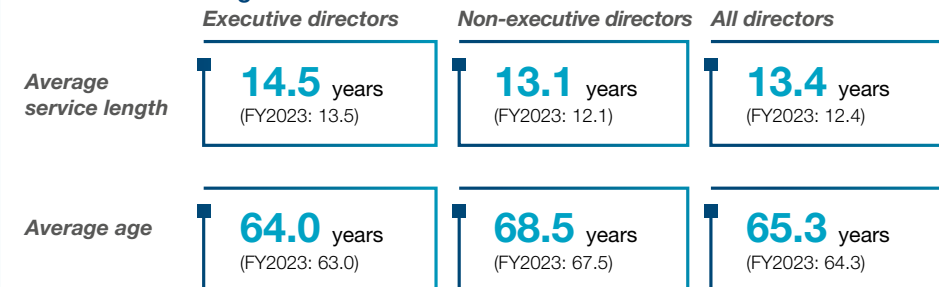
Independence – Independent directors



Commitment (%) – Directors' attendance



Board tenure and age



King IV™ does not consider the length of a non-executive director's term in office as a determinant of independence. The board evaluates the independence of its independent directors, particularly in respect of the independent directors who have served on the board for an aggregate term exceeding nine years.

Board committee activities

The activities and matters discussed at board committee meetings are guided by annual work plans, which balance relevant reviews for a financial year. Each committee's detailed duties as set out in their respective terms of reference, are available on Octodec's website: www.octodec.co.za/about-us/#corporate-governance-downloads.

Group audit committee

The committee's primary objective is to provide independent oversight of the effectiveness of Octodec's internal financial control environment, its assurance functions and services, and the integrity of the annual financial statements and related reporting.

Addressing FY2024 key focus areas

In addition to discharging its required duties, as set out in its terms of reference, the committee also concentrated on the key areas of focus as set out in the 2023 report:

- Monitored the enhancement of the second line of defence contained in the Combined Assurance model through more focused reporting by Compliance, Occupational Health and Safety and Risk Management.
- Focused on ensuring the group's financial systems, processes and controls were effective in meeting Octodec's requirements.
- Continued to monitor the weighted loan and interest hedging expiry profiles, the LTV ratio and ICR debt covenants and liquidity.
- Continued to focus on property valuations and their impact on the balance sheet.
- Assessed the need for external assurance on ESG reporting.
- Monitored the optimisation of the Governance, Risk and Compliance structure across all technology teams, Cyber user awareness training and internal information asset controls.

Nominations committee

The committee plays a crucial role ensuring board continuity is dealt with appropriately.

- Board committee succession, induction and efficacy received significant attention. The committee recommended the reconstitution of the board committees, along with changes to the board which took effect on 3 June 2024 and 2 October 2024.
- The succession plans for the financial director and CEO were finalised with the appointment of Riaan Erasmus as financial director and deputy chief executive officer.
- The board's skills and experience matrix was reviewed to respond to the change in board composition from a skills, experience, diversity, age, gender, race and independence perspective.
- Considered the findings of the biennial board and board committee performance evaluation.
- Recommended a board retirement and tenure policy for consideration, approval, and implementation by the board.

Risk committee

The committee assists the board in setting the direction for how the group's risk exposure is approached and addressed and oversees the development of an effective strategy, policy and plan for risk and opportunity management.

- To embed an integrated assurance risk management monitoring framework and culture to provide adequate assurance to the board that material risks are monitored and mitigated to acceptable levels of tolerance, both cost-effectively and optimally, the following was performed:
 - › The risk management was refined as outlined in the ERM policy which was reviewed and updated, where necessary.
 - › The risk management evaluation questionnaire was reassessed and re-evaluated, with particular attention to elements such as employee empowerment and alignment with the organisation's core values.
 - › Interactive workshops with risk owners aimed at reaffirming identified risks in a dynamic environment and assessing emerging risks and opportunities were carried out.
- Continued to monitor internal control improvements through enhanced risk processes and the integrated combined assurance framework.
- Provided oversight and guidance to ensure that the integrated combined assurance framework continues to mature and is embedded throughout the group.



SERT committee

The statutory committee operates in terms of section 72(4) of the Companies Act (read together with Regulation 43 of the Companies Regulations, 2011) and King IV™. The committee ensures that the group's activities support its intent to be a responsible corporate citizen.

Ad hoc independent subcommittee of the board**Addressing FY2024 key focus areas**

- An employee value proposition (EVP) baseline was established enabling the company to monitor employee satisfaction and performance.
 - The group supports the spirit of transformation and through various initiatives, achieved a Level 6 on its B-BBEE certificate for 2024.
 - Stakeholder concerns are viewed seriously and in the current year, some of the concerns began to be addressed, specifically in respect of asset management, the internalisation of the asset and property management services performed by City Property and succession planning.
 - Recognised the increased pressure on employees and maintained a focus on uncompromised ethical behaviour.
 - Continued to oversee management's plans to address safety-related compliance within Octodec's properties. In the current year, management focused on ensuring compliance with the Occupational Health and Safety Act, as well as fire and safety issues at Octodec properties.
-
- Continued to independently review all related party transactions between Octodec and City Property as and when they occurred.



The Fields



Remuneration summary

Octodec employs the group company secretary, the assistant company secretary and, more recently, the compliance officer appointed on 1 August 2023, as well as building staff (building managers, cleaners and handymen). Therefore, our remuneration review relates to Octodec employees and the directors' remuneration in terms of the Companies Act and the remuneration paid to City Property for the services performed as property and asset manager.

The board recognises that total remuneration is a critical tool for ensuring that employees enable the business to create value sustainably.

The board oversees remuneration practices and procedures administered by City Property in terms of the management agreement.

City Property uses total remuneration to attract and retain talented, high-calibre, high-performing employees.

Octodec is committed to developing and sustaining quality, long-term relationships with all key stakeholders, including shareholders. Our philosophy is to engage openly and inclusively to benefit from stakeholders' insights and address concerns and priorities.

Constructive feedback is shared with our board and relevant board committees and contributes significantly to Octodec's positioning, supported by adequate structures, to deliver long-term value for all its stakeholders. We are aware of our competitive and challenging operating environment and continuously examine any relevant issues our stakeholders raise to further develop and strengthen Octodec.

This summary highlights key remuneration matters for 2024. For full details on the remuneration policy and implementation report, both of which will be presented for a shareholder vote at the 2025 AGM, please refer to our governance and remuneration report at <https://octodec.co.za/investor-information/#reporting-suite>.

Internal and external factors that influenced remuneration

External factors

- A challenging macroeconomic environment that was exacerbated by uncertainty and market volatility.
- Competitive labour market competing for scarce skills in the property sector.

Internal factors

- Octodec's performance and delivery on the strategic initiatives set for the year under review.
- The affordability of the increased salary cost.
- The impact of the prescribed minimum wage for lower-income employees.
- The salary increases across various employee categories for the past 24 months. The previous salary increases in guaranteed pay in January 2023 (6.5%) and January 2024 (6%) were compared to Octodec's peers.
- The forecasted salary increases across various employee categories for the next 12 months.
- The projected inflation rate.
- The attractiveness of our total remuneration offering.

Key areas of focus and decisions

The SERT committee, recommended to the board the following remuneration-related resolutions, in compliance with regulatory and good governance requirements, to be tabled at the AGM for our shareholders' consideration:

Approval of the directors' fees for the period 1 September 2025 to 31 August 2026 by way of a special resolution.

Endorsement of the remuneration policy by way of a non-binding advisory vote.

Endorsement of the remuneration implementation report by way of a non-binding advisory vote.

Delivery against FY2024 key focus areas

In addition to discharging its required duties as set out in its terms of reference, the committee also concentrated on the following key areas as set out in the 2023 report:

- Continued review and refinement of our remuneration policy and practices to ensure competitiveness in terms of the EVP and encouragement of sustained performance excellence.
- Oversaw the implementation of a group-wide remuneration-linked performance management strategy.
- Oversaw the consistent application of the remuneration policy to ensure that remuneration for employees remains competitive, fair and appropriate.
- Oversaw the employees' remuneration benchmarking, using REMchannel®.

FY2025 key focus areas

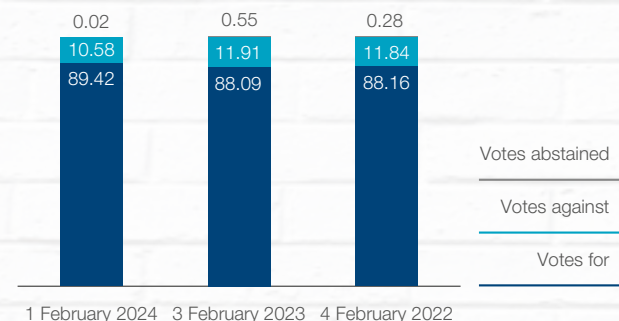
- Overseeing the implementation and embedding of performance-based rewards across the company.

The SERT committee is confident that the new remuneration policy is more appropriate for attracting and retaining key skills.

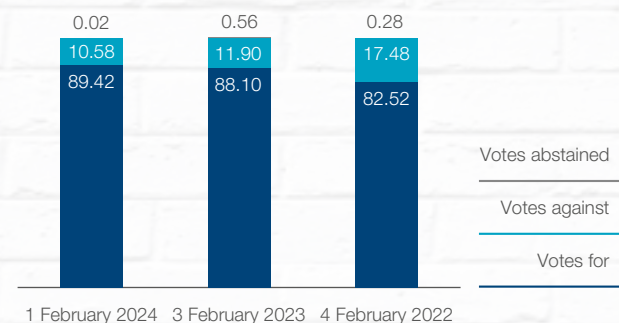
Voting results at the previous AGM

Following informal engagement with strategic shareholders on, *inter alia*, remuneration matters, no material concerns or items were raised by shareholders on the policy changes that were implemented in the previous reporting period. The improvement in voting outcomes at the FY2023 AGM evidences the positive response to our improved disclosures. We received an 89.42% vote in favour of the implementation report. The remuneration policy received high voting support, with 89.42% voting in favour. The few shareholders who voted against the remuneration policy and implementation reports did not request further engagement with Octodec.

Remuneration policy (%)



Remuneration implementation report (%)



Remuneration policy review

Strategic focus and future orientation

The committee has, with the assistance of an independent remuneration consultant, spent time considering and actively incorporating the expectations of our stakeholders into our approach to remuneration. This policy excludes the remuneration paid to our CEO and financial director, who are employed by City Property, and therefore not remunerated by the company, except for services as directors.

With effect from 30 November 2024, the financial director will be employed by Octodec as provided for in the management agreement, and this policy will extend to the financial director.

The policy for remunerating non-executive directors, which is governed by a separate policy, remains largely unchanged, with only minor changes.

Shareholder engagement

Following informal engagement with strategic shareholders on, *inter alia*, remuneration matters, no material concerns or items were raised by shareholders on the policy changes that were implemented in the previous reporting period.

Alignment to regulatory expectations

The Companies Amendment Act 2024, No. 16 of 2024 (the "Amendment Act") and the Companies Second Amendment Act 2024, No. 17 of 2024, will come into effect at a future date yet to be proclaimed.

The JSE Listings Requirements will be amended to remove the sections now addressed under sections 30A and 30B of the Amendment Act. As part of the policy review, we ensured alignment with the requirements of the Amendment Acts.

The review of our remuneration arrangements was conducted to evaluate their relevance, agility, and fitness for purpose. The goal was to ensure the remuneration framework fosters a value-driven, high-performance culture and generates value for shareholders and stakeholders.

The independent consultant, Reward Partners, benchmarked and updated the remuneration policy to align with the amendments to the Companies Act. This update ensures that the remuneration policy and performance conditions are clearly defined, effectively supporting the delivery of our business strategy and the creation of shareholder value.

To strengthen the alignment between STIs and the remuneration strategy, the STI scheme measures were thoroughly reviewed, redesigned, and repositioned. This adjustment aims to drive sustainable performance in line with individual employees' KPI scorecards, promoting a performance-focused culture that supports long-term business objectives.

Based on the review findings, our policy is fit for purpose, particularly for each of our review objectives.

Remuneration linked to strategy and performance

City Property and executive directors' key performance measures and targets

City Property's management agreement can be viewed on our website under Circulars at www.octodec.co.za/investor-information/#circulars. In terms of this agreement, City Property is responsible for the effective management of day-to-day operations as well as the asset management of Octodec.

Clause 14 of the current management agreement states that City Property must submit proposed KPIs and penalties for failure to meet the KPIs, to the SERT committee, who will recommend such KPIs to the board. The board will consider the KPIs together with the annual budget for the respective financial year, having regard to the material areas of concern for the company in the financial year in question, *inter alia*, using the following categories and criteria as the framework for determining the KPIs for the respective financial year:

- Delivery of sustainable short-term and long-term (pre-/post- tax) shareholder returns.
- Optimisation of the returns from the property portfolio.
- Effective and efficient management of the company's balance sheet and income statement as well as management of the company's funding and cash flow requirements.
- Efficient management of current and future developments to be carried out by the company, including meeting the development timetables and anticipated yields.
- Ensuring high levels of customer satisfaction.
- Attraction, development, retention and motivation of high-performance employees.
- Continually improving sustainability performance.
- Establishing a succession plan for the CEO and other key employees of the manager as identified by the company.
- Developing a B-BBEE strategy and implementing a B-BBEE plan, in line with the company's requirements, to achieve B-BBEE compliance in line with the timelines set by the board.

A detailed overview of the relevant strategic pillars, objectives and activities, target measures, weighting and achieved percentages is provided in the governance and remuneration report.

Analysis of ordinary shareholders

as at 31 August 2024

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	1 575	37.34%	326 188	0.12%
1 001 – 10 000	1 645	39.00%	7 024 977	2.64%
10 001 – 100 000	751	17.80%	24 268 706	9.12%
100 001 – 1 000 000	194	4.60%	60 437 112	22.70%
Over 1 000 000	53	1.26%	174 140 552	65.42%
Total	4 218	100.00%	266 197 535	100.00%
Distribution of shareholders				
Assurance Companies	33	0.78%	1 630 003	0.61%
Close Corporations	46	1.09%	27 447 995	10.31%
Collective Investment Schemes	107	2.54%	62 146 084	23.35%
Custodians	13	0.31%	2 738 743	1.03%
Foundations & Charitable Funds	38	0.90%	4 148 160	1.56%
Hedge Funds	4	0.09%	65 009	0.02%
Insurance Companies	2	0.05%	16 392	0.01%
Investment Partnerships	9	0.21%	90 887	0.03%
Managed Funds	8	0.19%	2 550 676	0.96%
Medical Aid Funds	8	0.19%	1 605 721	0.60%
Organs of State	3	0.07%	6 917 562	2.60%
Private Companies	182	4.31%	74 453 614	27.97%
Public Companies	4	0.09%	907 260	0.34%
Public Entities	1	0.02%	51 950	0.02%
Retail Shareholders	3 404	80.72%	33 749 003	12.68%
Retirement Benefit Funds	82	1.94%	14 404 706	5.41%
Scrip Lending	2	0.05%	3 353 986	1.26%
Stockbrokers & Nominees	16	0.38%	3 744 052	1.41%
Trusts	256	6.07%	26 175 732	9.83%
Total	4 218	100.00%	266 197 535	100.00%
Shareholder type				
Non-public shareholders				
Directors and Associates	47	1.11%	104 497 465	39.26%
Public shareholders				
Total	4 218	100.00%	266 197 535	100.00%

* Pursuant to the provisions of Section 56 of the Companies Act, 2008, disclosures from foreign nominee companies have been included in this analysis.

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Catalyst Fund Managers	17 664 671	6.64%
Old Mutual Investment Group	14 520 965	5.45%
Abax Investments	12 702 391	4.77%
Sesfikile Capital	9 085 356	3.41%
Total	53 973 383	20.27%

Beneficial shareholders with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Lefkopaul CC	20 209 741	7.59%
Tomneff Investments (Pty) Ltd	18 331 418	6.89%
City Property Administration (Pty) Ltd	12 680 413	4.76%
Nedbank Group	11 627 115	4.37%
Old Mutual Group	11 222 692	4.22%
Sanlam Group	9 929 798	3.73%
Bosjacob (Pty) Ltd	8 395 911	3.15%
Total	92 397 088	34.71%

Total number of shareholdings	4 218
Total number of shares in issue	266 197 535

Share price performance	
Opening price 01 September 2023	R9.20
Closing price 31 August 2024	R10.89
Closing high for period	R10.99
Closing low for period	R8.60
Number of shares in issue	266 197 535
Volume traded during period	42 337 452
Ratio of volume traded to shares issued (%)	15.90%
Rand value traded during the period	R416 346 538
Price/earnings ratio as at 31 August 2024	7.23
Earnings yield as at 31 August 2024	13.82
Dividend yield as at 31 August 2024	12.40
Market capitalisation at 31 August 2024	R2 898 891 156

Shareholder's diary

The salient dates relating to the final dividend are as follows:

	2024
Last day to trade <i>cum</i> dividend	Tuesday, 10 December
Shares trade <i>ex</i> dividend	Wednesday, 11 December
Record date	Friday, 13 December
Payment date	Tuesday, 17 December
Share certificates may not be dematerialised or rematerialised between	Wednesday, 11 December 2024 and Friday, 13 December 2024, both days inclusive.



Compliance with <IR> Framework

This report adheres to the International Integrated Reporting Framework. Below is a summary of our compliance with this framework's guiding principles and inclusion of its content elements. We continuously improve our integrated report and its alignment with the framework.

Guiding principles

Strategic focus and future orientation

Our strategy focuses on Octodec's sustainability and growth. Details on our strategy are on page 36, and progress updates are reflected throughout the report.

Connectivity of information

The report features a clear structure and integrates information. We offer qualitative and quantitative data, with clear references to related content and other reports.

Stakeholder relationships

We define key stakeholder groups and outline how we govern these relationships, including their needs and expectations, from page 18.

Materiality

We use a materiality lens to include relevant information. Our approach to reporting is detailed on page 1, the reporting boundary on page 3, and material matters from page 7.

Conciseness

This report focuses on material aspects of our value-creation process. It is structured clearly, uses plain language, and includes a glossary of terms on page 80. Additional reports and documents are referenced and hyperlinked.

Reliability and completeness

We strive for accuracy in reporting material matters. Our reporting approach and board approval are outlined on page 1.

Consistency and comparability

We provide context to our performance data and include comparative numbers where relevant. Our reporting approach is consistent with 2023, with ongoing improvements. We aim for consistency across our reporting suite and between internal and external reports.

Content elements

Organisational overview and external environment

We provide a company overview from page 24 and an overview of the operating environment on page 14.

Governance

A summary of the board's role and governance structures is included. The chairman's review is on page 10, and governance and remuneration extracts are on pages 68 and 75, respectively. The stand-alone corporate governance report, containing all compliance-related information, as well as a detailed explanation of their customised application, are available at www.octodec.co.za/about-us/

Business model

This report is structured to reflect our business model and the group's value creation process and outcomes are detailed throughout the report, including a synopsis of the six capitals on pages 13 and 48.

Risks and opportunities

An integrated review of the group's risks and opportunities starts on page 15.

Strategy and resource allocation

The group's strategy (page 36) and ESG approach (page 56) provide insight into long-term strategy and focus areas. The financial director's review details capital resource allocation from page 50.

Performance

Performance narratives align with the group's strategy, with specific disclosures in the chief executive officer and financial director's reviews (starting on pages 46 and 50, respectively) and in the strategy and ESG sections (pages 36 and 56).

Outlook

Outlook information is included in leadership reports (from pages 10, 38, 46, and 50).

Basis of preparation and presentation

Our reporting approach is explained on page 1. The material matters determination process and material matters are detailed on page 7.

Glossary

AGM	Annual general meeting
B-BBEE	Broad-based black economic empowerment
Board	Board of directors of the company
CBD	Central business district
CCMA	Commission for Conciliation, Mediation and Arbitration
CID	City Improvement District
City Property	City Property Administration (Pty) Ltd
Companies Act	Companies Act, No 71 of 2008
CPI	Consumer Price Index
CRM	Client relationship management
CSDP	A central securities depository participant, appointed by individual Octodec shareholder(s) for the purpose of and regarding dematerialisation in terms of the Securities Services Act, No 36 of 2004
CSI	Corporate social investment
DED	Department of Economic Development
DEIB	Diversity, equity, inclusion, and belonging
DMTN	Domestic Medium-Term Note
ECD	Early Childhood Development
ECL	Expected credit loss
ERM	Enterprise risk management
ESG	Environmental, social and governance
EVP	Employee value proposition
FTE	Full time equivalent
FVTPL	Fair value through profit or loss
GDP	Gross domestic product
GHG emissions	Greenhouse gas emissions
GLA	Gross lettable area
GRC	Governance, Risk and Compliance
Group	Octodec, its subsidiaries and associated company
HQLA	High-quality liquid asset
HR	Human resources
IAS	International Accounting Standard
ICAS	Independent Counselling and Advisory Services
ICR	Interest cover ratio
ICT	Information and communications technology
IFRS	International Financial Reporting Standards
International <IR> Framework	International Integrated Reporting Framework

IRBA	Independent Regulatory Board for Auditors
ISA	International Standards on Auditing
IT	Information technology
JSE	Johannesburg Stock Exchange Ltd
JV	Joint venture
King IV™	King Report on Corporate Governance™ for South Africa, 2016
KPA	Key performance areas
KPI	Key performance indicator
LED	Light emitting diode
LID	Lead independent director
LSM	Living Standards Measure
LTi	Long-term incentive
LTV	Loan to value
Management agreement	Asset and property management agreement entered into between Octodec and City Property
MOI	Memorandum of Incorporation
NAV	Net asset value
NAVPS	Net asset value per share
NPO	Non-profit organisation
NPS	Net promoter score
NSFAS	National Student Financial Aid Scheme
OECD	Organisation for Economic Co-operation and Development
Prime	Prime interest rate offered by Nedbank Ltd and Standard Bank of SA Ltd
PV	Photovoltaic
REIT	Real Estate Investment Trust as defined in section 1 of the Income Tax Act, No 58 of 1962
RID	Retail improvement district
SAICA	South African Institute of Chartered Accountants
SAPOA	South African Property Owners Association
SAPS	South African Police Service
SENS	Stock Exchange News Service
SERT committee	Social, ethics, remuneration and transformation committee
SME	Small, medium-sized entity
STI	Short-term incentive
VAT	Value added tax
WALE	Weighted average lease expiry



Corporate information

Octodec Investments Limited

Incorporated in the Republic of South Africa
Registration number: 1956/002868/06
JSE Share code: OCT
JSE alpha code: OCTI
ISIN: ZAE000192258
LEI: 3789136JI0BKTUSZ8813
(Approved as a REIT by the JSE)

Registered address

CPA House
101 Du Toit Street, Tshwane, 0002
Tel: 012 319 8781
E-mail: info@octodec.co.za

Directors

S Wapnick (chairman)¹, JP Wapnick (chief executive officer)²,
A Vieira (financial director)², PJ Strydom³, RWR Buchholz⁴,
DP Cohen⁴, NC Mabunda⁴, EMS Mojapelo⁴, MZ Pollack¹,
LP van Breda⁴

¹ Non-executive director

² Executive director

³ Lead independent director

⁴ Independent non-executive director

Group company secretary

Elize Greeff
CPA House, 101 Du Toit Street, Tshwane, 0002
Tel: 012 357 1564
E-mail: elizeg@octodec.co.za

Sponsors

Equity market

Java Capital
Contact person: Shivani Bhikha
6th Floor, 1 Park Lane, Wierda Valley, Sandton, 2196
PO Box 522606, Saxonwold, 2132
Tel: 011 722 3050
E-mail: sponsor@javacapital.co.za

Debt market

Nedbank Corporate and Investment Banking,
a division of Nedbank Limited
Contact person: Doris Thiele
3rd Floor, Block F 135 Rivonia Campus, 135 Rivonia Road,
Sandown, Sandton 2196
Tel: 010 234 8646
E-mail: debtspartner@nedbank.co.za

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Contact person: Leon Naidoo
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Private Bag X9000, Saxonwold, 2132
Tel: 011 370 5000
E-mail: leon.naidoo@computershare.co.za

Investor relations

Instinctif Partners
Contact person: Liz Ferreira
2nd Floor, Oxford Parks, 8 Parks Boulevard, Dunkeld,
Johannesburg, 2196
Tel: 011 447 3030
E-mail: investorrelations@octodec.co.za

Auditor

Ernst & Young Inc.
Contact person: Cornelius Els CA(SA)
102 Rivonia Road, Sandton
Private Bag X14, Sandton, 2146
Tel: 083 603 4681
E-mail: Cornelius.Els@za.ey.com

www.octodec.co.za

Head office

CPA House,
101 Du Toit Street,
Tshwane
0002

Our vision

To innovate in the property market and unlock long-term capital appreciation and income flows, through investment in a well-diversified multisector property portfolio. We remain cognisant of our role as a responsible corporate citizen and aim to achieve our vision, ambition and purpose in a manner that takes the interests of all our stakeholders into account.

www.octodec.co.za

