# INTEGRATED REPORT 2016

A YEAR OF

# ALIGNMENT

REDEFINE PROPERTIES

We're not landlords. We're people.

## About Redefine

Redefine is an internally managed Real Estate Investment Trust (REIT) with the primary goal of growing and improving cash flow to deliver quality earnings, which will underpin sustained growth in distributions, and support growth in total return per share.

Redefine is listed on the Johannesburg Stock Exchange (JSE) and has a **market capitalisation of R58.1 billion,** and is included in the **JSE Top 40 index**.

We manage a diversified property asset platform with a **value of R72.7 billion,** comprising local and international property investments.

Redefine shares are among the most actively traded on the JSE, making them a highly liquid, single-entry point for gaining exposure to quality domestic properties, and a spread of multiple international commercial real estate markets.

Total distribution per share **86 cents** (2015: 80 cents)

**OPERATING MARGIN** maintained at **80%**

**PROPERTY ASSETS** expanded by **R8.9 billion**

**LOAN-TO-VALUE RATIO (LTV)** maintained below **40%**

**TOP EMPLOYER 2017**

**MOST EMPOWERED REIT** in the 2016 Empowerdex survey

# WELCOME
## TO A YEAR OF **ALIGNMENT**

### Our focus is on delivering sustained value to stakeholders

**GLOBALISATION. URBANISATION. FAST-PACED DIGITAL EVOLUTION. ANTI-ESTABLISHMENT RAGE.** These are only a few of the global drivers of change. Add the volatile local socioeconomic environment – with our economy still grappling with the decline in commodity prices and the effects of a prolonged drought; with over a quarter of the workforce unemployed and forecasts for change clouded by policy uncertainty and political risks – one thing becomes clear: there is no such thing as business as usual.

Change is no longer avoidable. Or periodic. It's something that will be continuous – constant and relentless.

We need to get used to being uncomfortable.

### Taking charge of change

In the prevailing climate of uncertainty, we need to think more systemically, embrace the complexity of the forces shaping our macro environment and influencing our business and, in doing so, gain a fresh perspective. The 2016 year challenged us to rethink the way we operate, taking the opportunity to thoroughly examine our external environment and then look inward, assessing how much organisational muscle we can muster, not only to weather the complexity around us, but to ensure that we're positioned to create and capture opportunities.

**Therefore, for us 2016 became a year of alignment** – integrating long-term economic, environmental and social perspectives with strategy formulation and implementation. It was a time of embedding meaningful purpose, deriving practical strategies, and bringing individual goals together to make our organisation's aspirations more credible – and more likely to be achieved.

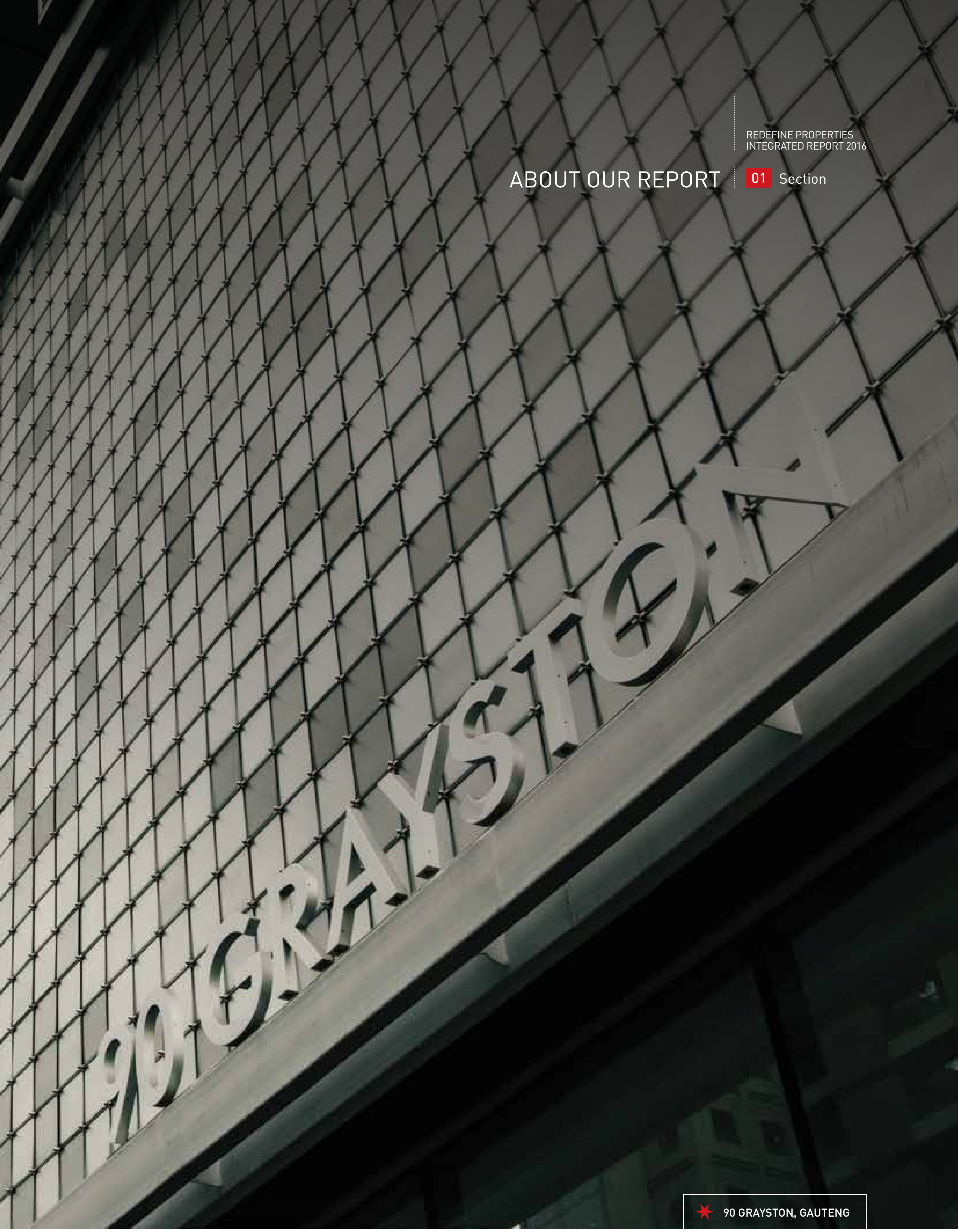
We look forward to sharing our journey with you in this report.

Please visit our website www.redefine.co.za to view chief executive officer Andrew König and financial director Leon Kok give their opening statements for the 2016 reporting suite.

# OUR VISION IS TO BE THE BEST SOUTH AFRICAN REIT

# ABOUT OUR REPORT

01 Section




90 GRAYSTON, GAUTENG

# CONTENTS





## How to navigate our report

Throughout our integrated report, the following icons are used to show the connectivity between sections:

### CAPITALS

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

### STRATEGIC MATTERS

- Operate efficiently
- Invest strategically
- Optimise capital
- Engage talent
- Grow reputation

### OUR STAKEHOLDER GOALS

- BE A LANDLORD OF CHOICE
- BE AN EMPLOYER OF CHOICE
- BE AN INVESTMENT OF CHOICE
- BE A COMMUNITY PARTNER OF CHOICE
- BE A BUSINESS PARTNER OF CHOICE

# Our reporting suite

We remain committed to reporting transparently to our wide range of stakeholders through our reporting suite.

To view the full suite please visit www.redefine.co.za


| INTEGRATED REPORT | GROUP ANNUAL FINANCIAL STATEMENTS | SOCIAL, ETHICS AND SUSTAINABILITY REPORT | CORPORATE GOVERNANCE REPORT | NOTICE OF ANNUAL GENERAL MEETING |
|---|---|---|---|---|
| An integrated presentation of the Group's performance in terms of the six capitals which is primarily aimed at investors and funders | A detailed analysis of the Group's financial performance for the year | A detailed account of the Group's sustainability performance for the year | Corporate governance structure, committee performance and other matters relating to the governance of the Group | Detailed information for shareholders to participate in the annual general meeting<br>Includes: Summarised audited Group results, directors' report, Board of Directors, **remuneration report**, salient features of the MOI and material change statement |
| **FRAMEWORKS APPLICABLE:** | | | | |
| → IIRC's Framework<br>→ The Companies Act, No 71 of 2008, as amended<br>→ The JSE Listings Requirements<br>→ King III | → IFRS<br>→ The Companies Act, No 71 of 2008, as amended<br>→ The JSE Listings Requirements<br>→ King III | → The Companies Act, No 71 of 2008, as amended<br>→ King III | → The Companies Act, No 71 of 2008, as amended<br>→ King III | → The Companies Act, No 71 of 2008, as amended<br>→ King III<br>→ The JSE Listings Requirements |

## Feedback

Your feedback is important to us and will help enhance our reporting processes.
Please visit www.redefine.co.za or email investorenquiries@redefine.co.za

THIS REPORT WAS DEVELOPED TO COMMUNICATE PRIMARILY WITH OUR FINANCIAL STAKEHOLDERS, WHILE TAKING INTO ACCOUNT THE NEEDS OF OUR REMAINING STAKEHOLDERS

## What is value?

At Redefine we see value as more than simply financial returns. Our pursuit of value encompasses the provision of sustainable total returns, remaining relevant in the societies in which we operate, being cognisant of our impact on the environment and its impact on our business.

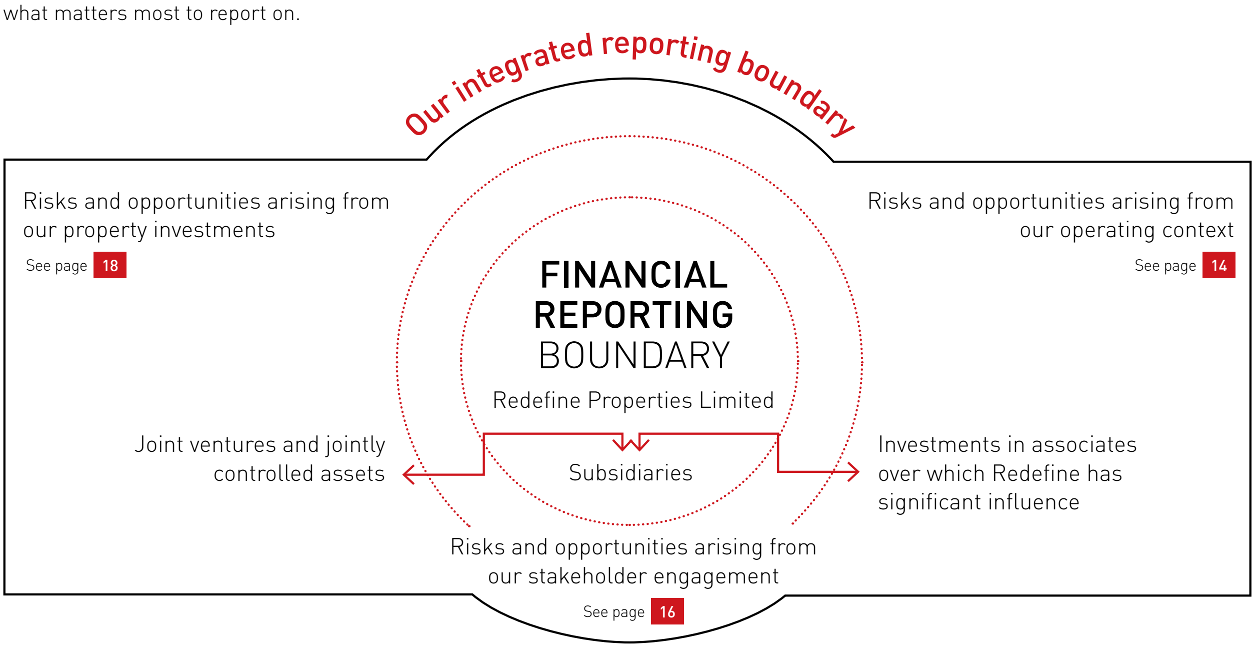
## Integrated thinking and materiality

Our value creation story, see page 10, is structured to show the relationship between the various elements involved in achieving our stakeholder goals. By taking the risks and opportunities identified in our external operating context, stakeholder engagement process and internally identified risks and opportunities, we have determined which matters are most important to Redefine's value creation in the short, medium and long term. We have used these matters as points of reference to ensure we have only reported on those matters that could have a substantial effect on our ongoing commercial viability.

## Boundary and scope

The major emphasis is placed on the Group's South African operations as they account for 75% of the Group's distributable earnings and 74% of the Group's property asset base. With regard to operational numbers, such as gross lettable area, we only include the statistics from our directly owned South African property portfolio. Details of our investments in subsidiaries, joint ventures, jointly controlled assets and associates appear in our annual financial statements. Detailed information on our separately listed and managed interests in associates and listed investments, which account for the bulk of our other property assets, is provided in their annual reports, which are available on their websites, refer to page 77.

We have used issues arising from our stakeholder engagement processes and the quality of our relationships as key in determining what matters most to report on.




## Forward-looking statements

This report may contain forward-looking statements with respect to Redefine's future performance and prospects. While these forward-looking statements represent our judgements and future expectations, a number of risks, uncertainties and other important factors could cause actual results to differ materially from our expectations. These include factors that could adversely affect our business and financial performance.

# Assurance

Redefine has adopted a combined assurance framework with the aim of optimising, co-ordinating and integrating assurance, provided by internal and external assurance providers, on risk areas facing the Group. Redefine utilises the five lines of assurance approach to co-ordinate and optimise our risk and assurance efforts. Combined assurance includes executive and senior management monitoring and oversight, internal audit and external assurance providers as well as Board and the relevant committee's oversights, refer to our CGR.

The combined assurance framework is integrated with the Group's enterprise risk management approach. Risks facing the Group are identified, evaluated and managed by implementing risk mitigations such as insurance, strategic actions or specific controls. The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial information in place for the applicable business risks.

The assurance strategy that forms part of the combined assurance frameworks applies criteria to ensure that the most appropriate assurance provider and coverage are in place to evaluate the risk mitigations for the relevant business risks facing the Group. It also considers the needs of Redefine's stakeholders so as to ensure that their interests are safeguarded and considered when providing assurance in respect of the integrated report. The framework, therefore, supports the audit and risk committee in assessing the integrity of the integrated report and recommending it to the Board. Combined assurance is an evolutionary journey and we do expect our approach to mature as we refine, optimise and adjust our approach in line with changes in our business and assurance strategy.

As part of combined assurance with respect to internal controls, Redefine has obtained assurance on the data in the integrated report from the following sources:

- Financial statements are independently audited by KPMG
- Limited reviews of sustainability information have been undertaken by Terra Firma Solutions Proprietary Limited
- The Group's broad-based black economic empowerment (BBBEE) contributor levels were verified by Honeycomb BEE Ratings Proprietary Limited

# Board responsibility statement

Redefine's Board of Directors acknowledges its responsibility to ensure the integrity of the integrated report. The Board has accordingly applied its collective mind and, in its opinion, this integrated report addresses all material matters, offers a balanced view of its strategy, and how it relates to the organisation's ability to create value in the short, medium and long term. The report adequately addresses the use of and effects on the capitals and the manner in which the availability of these capitals is impacting on Redefine's strategy and business model. We, as the Board, believe that this report has been prepared in accordance with the International Integrated Reporting Council's (IIRC) framework.

**Marc Wainer**
Executive chairman

**Bernie Nackan**
Lead independent non-executive director

**Andrew König**
Chief executive officer

**Marius Barkhuysen**
Independent non-executive director

**Leon Kok**
Financial director

**Ntombi Langa-Royds**
Independent non-executive director

**Phumzile Langeni**
Independent non-executive director

**Harish Mehta**
Independent non-executive director

**David Nathan**
Independent non-executive director

**David Rice**
Chief operating officer

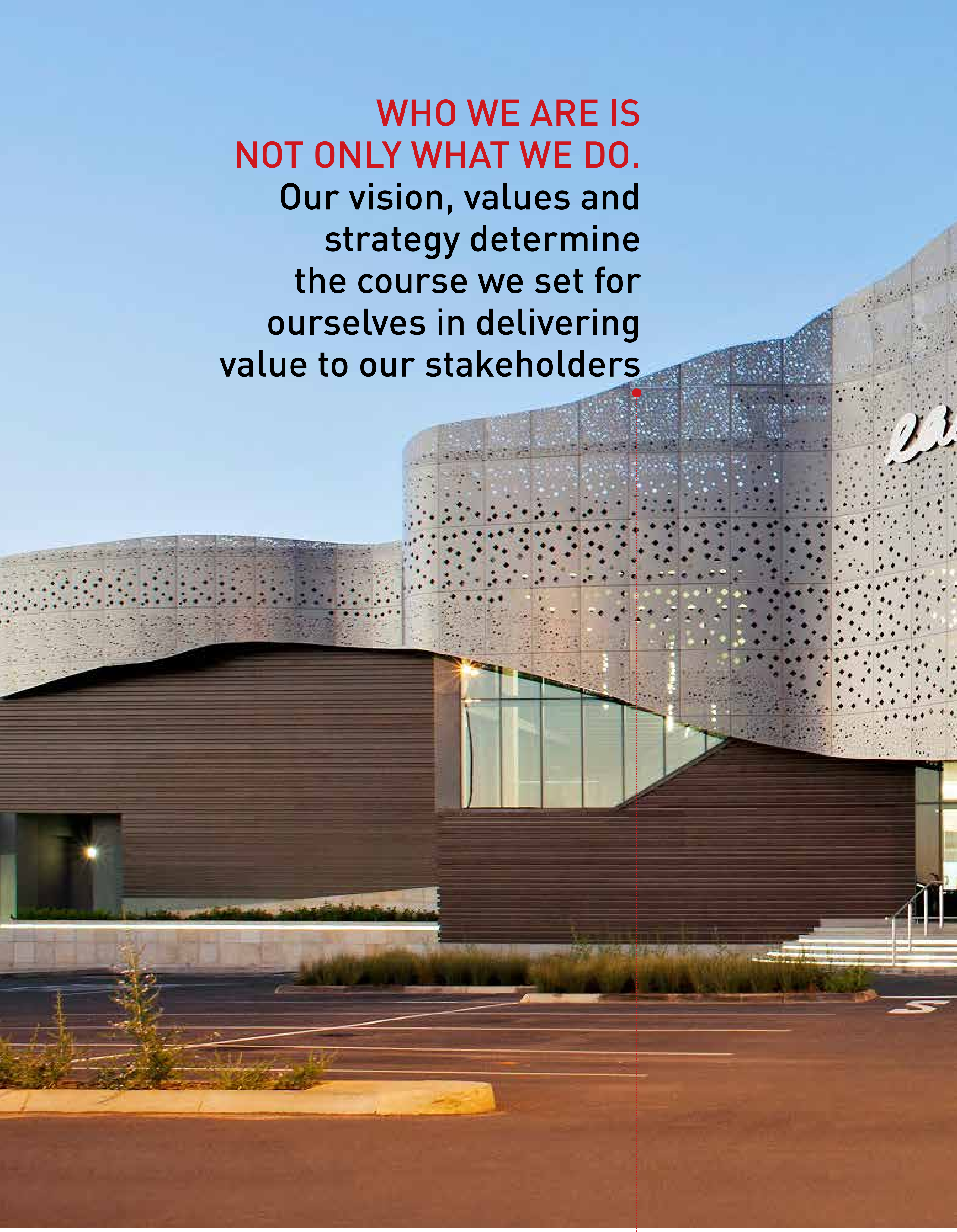
**Mike Ruttell**
Executive director: development

**Günter Steffens**
Independent non-executive director

**Michael Watters**
Non-executive director

# WHO WE ARE IS NOT ONLY WHAT WE DO.

Our vision, values and strategy determine the course we set for ourselves in delivering value to our stakeholders




EAST RAND MALL, GAUTENG

# WHO WE ARE

## We're not landlords. We're people.

**OUR MISSION** TO CREATE SUSTAINED VALUE FOR ALL OUR STAKEHOLDERS

**OUR VISION** TO BE THE BEST SOUTH AFRICAN REIT

**PRIMARY GOAL** TO GROW AND IMPROVE CASH FLOW

## What we stand for

OUR VALUES UNDERPIN OUR SUCCESS:

- Challenge the norm
- Make it happen
- Respect personal relationships
- Oneness
- Mean it

### How we do it

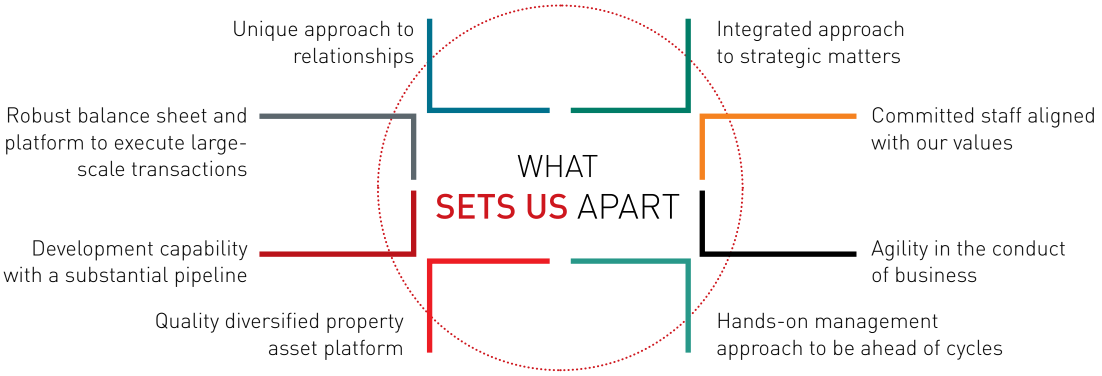
- Unconventional thinking
- Simplicity and straight talk
- Decisive action
- Trusting partnerships

### How our stakeholders benefit

- Innovative solutions
- Proactive service
- Always in the know
- Peace of mind
- Enabled for success

## What we believe

Property is our commodity, but people are our business. We believe it is our unique and focused approach to relationships that enables us to create and sustain meaningful value for our business partners




### INTEGRATED APPROACH TO STRATEGIC MATTERS

To achieve our mission of creating sustained stakeholder value, we integrate long-term economic, environmental and social perspectives into strategy formulation and implementation. In this broader context, we focus on those elements that have the potential to significantly impact value creation in the short, medium and long term.

### AGILITY IN THE CONDUCT OF BUSINESS

Redefine is a nimble organisation with a flat management structure. When appealing opportunities present themselves, they are swiftly assessed by executive management without first having to filter through layers of bureaucracy. This agility is a key competitive advantage.

### DEVELOPMENT CAPABILITY WITH A SUBSTANTIAL PIPELINE

Our development capability, including refurbishments and greenfield developments, gives us the opportunity to refine and improve the quality of our assets, unlock new income streams, strengthen tenant relationships and extend the lifespan of our core properties. Among these projects, and those in our pipeline, are many significant and innovative concepts, which strongly position Redefine for the future in a competitive market.

### COMMITTED STAFF ALIGNED WITH OUR VALUES

We endeavour to hire people who aspire to being extraordinary – those who embody the values of our organisation and want to be the best version of who they can be – because we understand that there is nothing more powerful than our employees' combined passion and initiative in our efforts at being the best in all aspects of what we do.

### HANDS-ON MANAGEMENT APPROACH TO BE AHEAD OF CYCLES

We have an on-the-ground approach to everything we do. We believe that this is the most effective way to engage with all the individuals involved and to deliver on our key stakeholder goals.

### ROBUST BALANCE SHEET AND PLATFORM TO EXECUTE LARGE-SCALE TRANSACTIONS

Redefine robust balance sheet provides a strong platform to competitively position us for our continued growth.

### UNIQUE APPROACH TO RELATIONSHIPS

We recognise that our business extends beyond the bricks and mortar of our assets to people and our ongoing relationships with them.

### QUALITY DIVERSIFIED PROPERTY ASSET PLATFORM

**Direct local property portfolio**

| | | |
|---|---|---|
| Property portfolio | 100% | R52.7bn |
| Respublica Student Living Pty Limited | 51% | R0.2bn |
| Loans receivable | 100% | R0.9bn |
| | | **R53.8bn** |

**Local listed securities**

| | | |
|---|---|---|
| Emira Property Fund Limited | 11.5% | R0.8bn |
| Arrowhead Properties Limited | 2.4% | R0.2bn |
| Delta Property Fund Limited | 22.8% | R1.6bn |
| | | **R2.6bn** |

**Direct international properties**

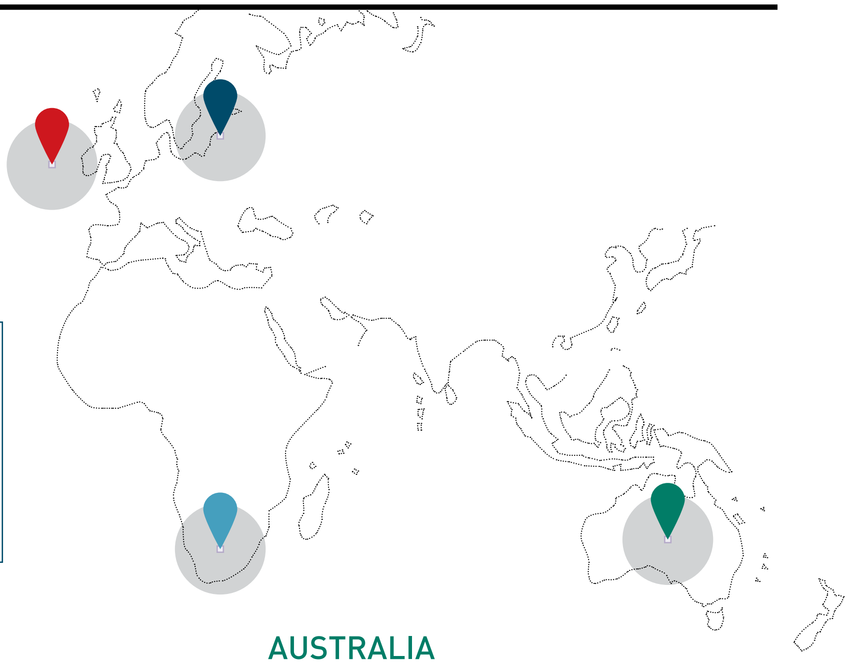
| | | |
|---|---|---|
| German portfolio | 50% | R0.8bn |
| Northpoint | 50% | R0.8bn |
| | | **R1.6bn** |

**International listed securities**

| | | |
|---|---|---|
| Redefine International PLC | 30.1% | R5.0bn |
| Cromwell Property Group | 25.5% | R5.5bn |
| Echo Polska Properties Limited | 44.9% | R3.9bn |
| International Hotel Properties Limited | 27.5% | R0.3bn |
| | | **R14.7bn** |

Carried at fair value    Equity accounted
% ownership

# WHERE WE INVEST



## EUROPE (Germany and Poland)

**Strategy:** Continue to **EXPAND** in Euro-denominated growth markets, especially Poland

**Underlying exposure:**

77% RETAIL | 23% OFFICES

**Contribution to distribution: 2.9%**
**Contribution to property assets: 7.0%**

## UNITED KINGDOM

**Strategy: LEVERAGE** our holding to fund international expansion

**Underlying exposure:**

35% RETAIL | 33% OFFICES | 24% HOTELS | 8% INDUSTRIAL

**Contribution to distribution: 8.6%**
**Contribution to property assets: 7.5%**

## AUSTRALIA

**Strategy:** Expand **EXPOSURE** to student accommodation

**Underlying exposure:**

3% RETAIL | 97% OFFICES

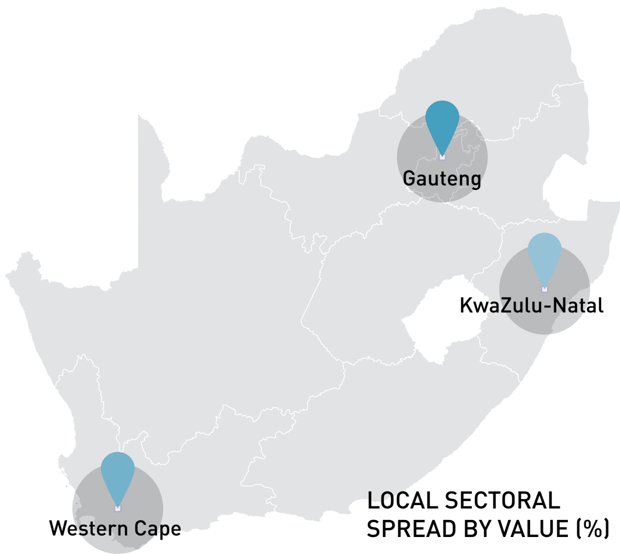
**Contribution to distribution: 14.3%**
**Contribution to property assets: 8.7%**

## SOUTH AFRICA

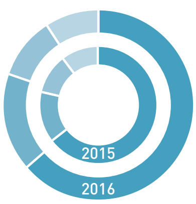
**Strategy:** Continued focus on portfolio quality

**RECYCLING** of secondary assets exceeded acquisitions during 2016

**Contribution to distribution: 74.2%**
**Contribution to property assets: 76.8%**

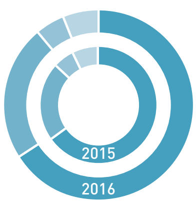



### NUMBER OF LOCAL PROPERTIES



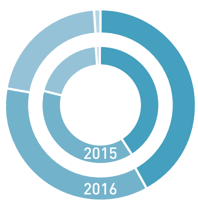

| | 2016 | 2015 |
|---|---|---|
| Gauteng | 199 | 215 |
| Western Cape | 52 | 47 |
| KwaZulu-Natal | 33 | 37 |
| Other | 28 | 34 |

### LOCAL GEOGRAPHIC SPREAD BY VALUE (%)




| | 2016 | 2015 |
|---|---|---|
| Gauteng | 66 | 65 |
| Western Cape | 23 | 22 |
| KwaZulu-Natal | 5 | 6 |
| Other | 6 | 7 |

### LOCAL SECTORAL SPREAD BY VALUE (%)




| | 2016 | 2015 |
|---|---|---|
| Retail | 42 | 41 |
| Office | 36 | 38 |
| Industrial | 21 | 20 |
| Specialised | 1 | 1 |

**DURING THE YEAR, WE REFINED OUR STRATEGY TO FOCUS ON THE MOST MATERIAL MATTERS FACING OUR BUSINESS. HIGHLIGHTS OF OUR STRATEGIC MATTERS INCLUDED:**

| | | | | | |
|---|---|---|---|---|---|
| **OPERATE EFFICIENTLY** | Operating margin maintained at 80% | Integrated 2015 acquisitions | Aligned structure to strategic matters | Improved tenant retention rates and occupancies | Refined business processes |
| **INVEST STRATEGICALLY** | Property assets expanded by R8.9 billion to R72.7 billion | Expanded geographic diversification | Continued focus on local portfolio quality | Recycling of secondary local assets exceeded acquisitions | Offer to acquire Pivotal advances local strategy in 2017 |
| **OPTIMISE CAPITAL** | LTV maintained below 40% | Broadened quality-rated funding sources | Maintained strong credit metrics | Adopted policy of hedging of international income | Replaced Echo Polska Properties' (EPP) bridge facility with long-term and cheaper funding |
| **ENGAGE TALENT** | Certified as a Top Employer 2017 | Promoted values-driven culture | Deepened staff engagement | Refined key performance areas | Expanded learnership programme now in fourth year |
| **GROW REPUTATION** | Most empowered REIT | Instilled culture of consistent and ethical behaviour | Brand valued at R6.3 billion | Fifth in EY's Excellence in Integrated Reporting Awards 2016 | Introduced co-ordinated approach to retail marketing |

# BUSINESS MODEL: OUR VALUE CREATION STORY

**Our value creation story has been designed to show the relationship between the various elements involved in achieving our stakeholder goals. By gaining an in-depth understanding of all the factors that impact on our ability to create sustainable value for our stakeholders, we're better able to plan and adjust our business in a constantly changing environment filled with challenges to overcome and opportunities to explore.**

## 1. OPERATING CONTEXT

We analyse our operating context: global, local and property-specific, to determine which risks and opportunities have the greatest impact on our ability to create value in the short, medium and long term.

See page 14

## 2. RESOURCES WE RELY ON

### FINANCIAL CAPITAL

We invest the financial capital received from our equity investors to deliver capital appreciation on their investments, as well as income in the form of distributions. We also obtain financial capital from various debt funders, which we return to them in the form of interest and loan repayments.

See page 52

### MANUFACTURED CAPITAL

We use our manufactured capital to generate cash flow from rental and property-related income, which translates into capital appreciation.

See page 56

### HUMAN CAPITAL

The knowledge, skills, attitude and innovation of our employees enable us to commit to being the best (but not necessarily the biggest) South African REIT.

See page 78

### SOCIAL AND RELATIONSHIP CAPITAL

Constructive interaction makes our day-to-day operations more effective, ensuring we remain socially relevant in the communities where we operate.

See page 86

### INTELLECTUAL CAPITAL

Our organisational, knowledge-based intangible assets and ethos are critical to our ability to sustain and grow the business.

See page 92

### NATURAL CAPITAL

Our business activities namely constructing, operating, occupying and redeveloping buildings, are dependent on natural capital.

See page 96


**WE BELIEVE THAT OUR PEOPLE ARE OUR KEY DIFFERENTIATOR**

## 7. DELIVER SUSTAINED STAKEHOLDER VALUE

| | | | | |
|---|---|---|---|---|
| BE A LANDLORD OF CHOICE | BE AN INVESTMENT OF CHOICE | BE A BUSINESS PARTNER OF CHOICE | BE AN EMPLOYER OF CHOICE | BE A COMMUNITY PARTNER OF CHOICE |

See page 26

## 6. PERFORMANCE

Our performance is measured against what matters most by using relevant key performance indicators (KPIs).

See page 21

## 5. STRATEGY – WHAT MATTERS MOST

We have prioritised our risks and opportunities to determine which matters are most material to our ability to create value in the short, medium and long term. As such, we have identified five strategic matters that enable the creation of sustained value for all our stakeholders.

- Operate efficiently
- Optimise capital
- Invest strategically
- Engage talent
- Grow reputation

See page 20


RISKS AND OPPORTUNITIES

## 3. RELATIONSHIPS

The quality of relationships and the issues raised by stakeholders inform the assessment of our key risks and opportunities.

### RELEVANT STAKEHOLDER GROUPS

| | |
|---|---|
| Tenants | Employees |
| Investors and funders | Communities |
| Property brokers and suppliers | |

See page 16

## 4. RISKS AND OPPORTUNITIES

Examining our internal capabilities to respond to the risks and opportunities identified in our operating context enables us to determine our most material issues.

See page 18

# BUSINESS MODEL: OUR ACTIVITIES AND THEIR IMPACTS

Property is a long-term asset class. This means we need to make decisions today that will often only bear fruit in the future. At times, to ensure sustained value creation, we need to make decisions that are right for the business in the long term but have negative short-term consequences. We seek to manage our impacts and trade offs vigorously to improve the long-term outcomes of our activities for our business and meet the short-term expectations of our stakeholders.

## INPUTS

- FINANCIAL CAPITAL
- MANUFACTURED CAPITAL
- HUMAN CAPITAL
- SOCIAL AND RELATIONSHIP CAPITAL
- INTELLECTUAL CAPITAL
- NATURAL CAPITAL

## ACTIVITIES

Our business activities – that is acquiring, developing, managing and disposing of properties – are all geared to ensure our ability to secure long-term leases with strong tenants to provide sustained growth for our shareholders, funders and other stakeholders.

**ACQUIRING**

Our strategy is to grow and improve the quality of our core portfolio by acquiring buildings, wherever possible, with triple net leases to blue-chip tenants who offer secure cash flows and negligible vacancy rates.

**DEVELOPING**

Driven by demand and opportunity, we develop innovative, operationally efficient and cost-effective buildings and redevelop existing properties to realise further value.

**MANAGING**

We actively manage our diversified portfolio to enhance efficiency and returns.

**DISPOSING**

We sell secondary assets to recycle the capital into opportunities that have better long-term capital growth prospects once all other alternatives have been exhausted.

## FOCUSING ON WHAT MATTERS MOST

Our strategic matters act as a compass – they guide our decision-making in an unpredictable environment, enabling us to focus on what matters most. In so doing, we are able to optimise the trade-offs between our capitals that arise as a consequence of our business activities.

- OPERATE EFFICIENTLY
- INVEST STRATEGICALLY
- OPTIMISE CAPITAL
- ENGAGE TALENT
- GROW REPUTATION

## PRIMARY OUTPUT

QUALITY REAL ESTATE INVESTMENTS EMBEDDED IN SOCIETY THAT DELIVERS SUSTAINED CASH FLOW

## MANAGING THE TRADE-OFFS THAT INFLUENCE VALUE CREATION OVER TIME

Governance provides oversight for our business activities. Having an executive chairman rather than an independent chairman has a **negative impact on our social and relationship capital** with investors frequently raising this as a concern. We have, however, considered this decision, including the **intellectual and human capital gain,** as well as the **social and relationship capital gain** in the form of our chairman's network within the industry, and have deemed this currently the best governance model for us. We will continue to evaluate this structure to ensure sustainable value for our stakeholders.

New property acquisitions enhance our core portfolio. They temporarily reduce **our financial capital** but enable long-term revenue generation and capital growth. Through this, we often acquire **additional human capital,** as employees associated with these assets are transferred as part of sale agreements. In this way, talent is acquired, which is a significant gain due to skills shortages in the industry. These large-scale transfers, however, impact on our employment equity performance and therefore **adversely affect our social and relationship capital.** We mitigate this risk by investing in growing talent, from designated groups, through our learnership programme.

The depressed economic environment coupled with increased competition calls for us to **intensify our financial capital** expenditure on developments and redevelopments of existing well-located properties to ensure the competitive quality of our buildings to retain tenants. Defensive expenditure (mainly in the retail environment) in the current economic climate, however, raises investor concerns. While increased spending does impact on short-term financial gain, the benefit added for tenants, which includes lower operating costs through green building elements that **preserve natural capital, increases** our stocks of **social and relationship capital** and their financial capital. This enables **sustained financial capital** growth for Redefine in the long term.

Given the constant and uncontrollable hike in administered costs, **reducing** our buildings' **natural capital** consumption is a primary concern. This serves to lower occupation costs and attract and retain quality tenants for the long term. Finding better ways of operating, however, often involves optimising spend with suppliers, which could **negatively impact social and relationship capital.** We believe, however, that careful relationship management is critical and that the long-term **financial capital** and **natural capital savings** will add more value than what is detracted.

By selling secondary assets we are able to generate **financial capital** to reinvest into higher-return assets. During 2016, we effectively switched the management of a large part of the government-tenanted portfolio through a sale to Delta. In this way, **manufactured capital** was temporarily decreased, as well as **financial capital**. However, the transaction will provide distribution yields without having to manage **human capital** or invest **financial capital** in the portfolio. While this decision differed from our original plan, it was the right choice for sustainable value creation.

## OUTCOMES

### FINANCIAL CAPITAL

+ Market capitalisation **R58.1 billion, up R3.3 billion**
+ Capital raised: **R8.9 billion**
- Paid interest of **R2.1 billion**
- Distributed **R3.7 billion** in dividends

### MANUFACTURED CAPITAL

+ Property assets expanded by **R8.9 billion to R72.7 billion**
+ Total assets now **R79.8 billion up R9.3 billion**
- Disposed of 16 non-core properties valued at **R1.4 billion**

### HUMAN CAPITAL

+ **375 skilled** property and financial professionals **up 3% from 2015**
+ Engagement capital score of **77%** (2015: 73%)
+ Invested over **R7 million** in training and development
+ **27 learnership** participants (2015: 17)
- Staff turnover **9%, down from 10% in 2015**

### SOCIAL AND RELATIONSHIP CAPITAL

+ **BBBEE level 3**
+ **31%** of the Company is black-owned
+ New developments contributed to **job creation** and community upliftment
+ Brand valued at **R6.3 billion**
- **Employment equity** among top management and **gender diversity** remain a challenge

### INTELLECTUAL CAPITAL

+ Enhanced **corporate governance** structures
- Culture dilution is a risk due to the high rate of acquisitions and consolidations. Focusing on entrenching our values and culture is therefore key

### NATURAL CAPITAL

+ **2 600 smart meter installations**
+ **14 green star-rated buildings**
+ **12 generators installed** at key retail sites
+ **2 million KWh** reduction in electricity consumption
- Total emissions of **604 000 tonnes $CO_2e$**

+ INCREASE IN CAPITAL  - DECREASE IN CAPITAL

# OPERATING CONTEXT



## OUR GLOBAL CONTEXT

### POSITIVE FACTORS

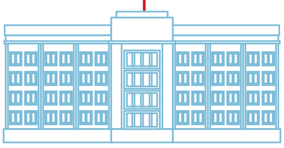
- Rapid urbanisation leading to growth opportunities
- Reducing imbalances in many emerging markets, leading to a growing middle class
- Opportunity for growth in selected emerging markets
- Continuing monetary easing in Europe leading to lower interest rates
- Ease of doing business continues to improve as a result of globalisation

### NEGATIVE FACTORS

- Ongoing global financial market volatility, exacerbated by events such as the US elections and Brexit
- Tepid global economy
- Social instability and terrorism
- Anti establishment rage driven by globalisation

### OUR RESPONSE

- Diversify geographically through exposure to multiple economies and currencies
- Investigate opportunities to exploit positive initial yield spreads
- Exploit development and asset management opportunities to counter low growth rates
- Hedging of international income and interest rates to improve visibility of income



## SOUTH AFRICAN PROPERTY MARKET CONTEXT

## OFFICE TRENDS

### OVERSUPPLY IN THE MARKET

- Sluggish economic growth leading to stagnant demand
- Multiple new developments coming online in concentrated nodes
- Demand for greener more efficient buildings
- The need for better utilisation of accommodation to optimise cost and flexibility

### OUR RESPONSE

- Drive development as well as refurbishment and redevelopment of well-located properties to remain competitive in a tough leasing market
- Target flexible workspace companies operating in the South African market to capitalise on this market trend
- Focus on property management and nurturing tenant relationships to secure long-term tenancies
- Divest from older, inefficient buildings in less-desirable areas

(For more information refer to pages 70 to 72)

## OUR SOUTH AFRICAN CONTEXT

### POSITIVE FACTORS

- Liquidity and appetite in capital markets
- Emergence of alternative real estate asset classes
- International retailers looking to expand locally
- A positive spin-off of the energy crisis is the financial viability of investing in renewable sources of electricity, such as solar photovoltaic (PV)
- Growing demand for student housing

### NEGATIVE FACTORS

- Extreme political and social instability exacerbated by potential credit downgrade
- Uncertain electricity supply, slow demand and lower commodity prices resulting in a weak and unstable economy
- Depressed business and consumer confidence levels
- Growing unemployment and major skill shortages
- Water supply security exacerbated by the impact of climate change on rainfall patterns

### OUR RESPONSE

- Convert existing secondary properties for alternative uses such as student accommodation
- Develop to expand in under-represented defensive asset categories
- Diversify geographically and sectorally
- Establish new asset categories
- Recycle secondary assets that no longer meet Redefine's investment criteria
- Remain mindful of acquisition opportunities that would meet our investment criteria are limited
- Focus on redevelopments to improve, protect and expand existing properties in well-located areas

## RETAIL TRENDS

### BATTLE FOR MARKET SHARE

**WE SEE CONSUMERS ACROSS ALMOST ALL INCOME BRACKET LEVELS THROUGHOUT THE COUNTRY:**

- Continuing to grapple with debt
- Experiencing high unemployment
- With modest salary increases and low levels of confidence

### OUR RESPONSE

- Redevelop to upgrade and expand to defend market share and differentiate existing centres
- Focus on better marketing
- Enhance tenant mix within our retail spaces based on analytics and tenant monitoring remains key
- Use technology to enhance shopping experiences

(For more information refer to pages 66 to 69)

## INDUSTRIAL TRENDS

### DEFENSIVE BUT PRICE-SENSITIVE

**THE INDUSTRIAL SECTOR, PARTICULARLY HEAVY INDUSTRY AND MANUFACTURING, HAVE BEEN HIT HARD BY:**

- Weak commodity prices
- Disruptive electricity supply
- Depressed economy

### OUR RESPONSE

- Focus on logistics assets as retailers are looking to optimise distribution networks
- Identify key nodes to enhance Redefine's hold, sell, develop and buy strategy
- Focus on proactive management
- Implement our asset improvement roadmap to enhance tenant retention and create a buffer against rent reversions

(For more information refer to pages 73 to 74)

# STAKEHOLDER RELATIONSHIPS

We believe that relationships support our ability to create value. By establishing good lines of communication with our various stakeholders and maintaining a constructive relationship with them, we enhance our business sustainability by being better able to identify and address risks and opportunities. We identified our key stakeholders in order to engage with them in the most effective manner (refer to page 88 for how we identified our key stakeholders). For a more detailed list of our stakeholders, their concerns and our responses, please see our SES report.

## GAUGING THE QUALITY OF THE RELATIONSHIP

This scale represents our internal assessment on the quality of our relationships.

| | |
|---|---|
| ○○○○● | 1 No existing relationship |
| ○○○●● | 2 Relationship established but much work to be done to improve quality of relationship |
| ○○●●● | 3 Relationship established and good strides made towards growing mutually beneficial, value-generating connection, but still room for improvement |
| ○●●●● | 4 Good-quality, mutually beneficial relationship with some room for improvement |
| ●●●●● | 5 Strong relationship of mutual benefit |

**BE AN EMPLOYER OF CHOICE**

○●●●●

## EMPLOYEES

### ISSUES RAISED

- Better communication
- Long-term incentive (LTI) schemes
- Transformation
- Career development and growth opportunities

### OUR STRATEGIC RESPONSE

We enhanced communication during 2016 through the development of an employee engagement programme. This programme focused on clearly communicating our employee value proposition (EVP) with regard to strategy and performance, culture and sustainability, training and development and rewards and recognition.

For more information, see pages 78.

### KEY RISK/OPPORTUNITY IDENTIFIED IN STAKEHOLDER ENGAGEMENT PROCESS

**RISK**

Staff retention and attraction
Slow pace of transformation

**OPPORTUNITY**

Continuing to enhance our EVP and clearly communicating it to existing and potential employees enables us to attract and retain the best talent.

**BE A COMMUNITY PARTNER OF CHOICE**

○○●●●

## COMMUNITIES

### ISSUES RAISED

Ongoing commitment to make a positive impact to the communities in which we operate

### OUR STRATEGIC RESPONSE

We strive to continuously review and improve our corporate social investment (CSI) strategy. The CSI policy has been updated to ensure a more holistic approach to CSI initiatives throughout the business.

For more information, see pages 91.

### KEY RISK/OPPORTUNITY IDENTIFIED IN STAKEHOLDER ENGAGEMENT PROCESS

**RISK**

Negative impact on our brand due to safety concerns as well as inconvenience to the public caused during development activities

**OPPORTUNITY**

We seek to add value to the communities surrounding our buildings through carefully planned developments that enhance our surrounds. These benefits include job creation, during development and the day-to-day operations of the buildings and that of our tenants, offering the correct tenant mix that adds to a community lifestyle and through localised corporate social investment.

BE AN INVESTMENT OF CHOICE

## INVESTORS AND FUNDERS

| ISSUES RAISED | OUR STRATEGIC RESPONSE |
|---|---|
| Clarity on Redefine's strategy<br>Transparency on Redefine's transformation strategy<br>Independence of the Board<br>Concern around the role of the executive chairman<br>Clarity on the investment case and value proposition | Our strategy, investment case and value proposition for investors is communicated through many platforms. However, engagement during 2016 highlighted the need to enhance communication in this area. As a result, in 2017 we will develop an improved communication plan to ensure we convey our strategy, investment case and value proposition clearly and consistently.<br><br>We also embarked on a process of improving our governance structures during 2016.<br><br>For more information, see pages 20, 44 and 52. |

### KEY RISK/OPPORTUNITY IDENTIFIED IN STAKEHOLDER ENGAGEMENT PROCESS

| RISK | OPPORTUNITY |
|---|---|
| Lack of investor confidence | By clearly communicating our strategy and chosen form of governance, as well as the rationale for it, we build confidence in our leadership and further investment interest in Redefine. |

BE A LANDLORD OF CHOICE

## TENANTS

| ISSUES RAISED | OUR STRATEGIC RESPONSE |
|---|---|
| Inconsistent service levels throughout the tenant life cycle<br>Utility supply interruptions<br>Increased cost of occupation | We continue to improve our product offering to remain competitive, focusing on greening our buildings to assist with supply interruptions. Enhancing relationships with tenants through consistent service at all levels of the business also remains a key focus.<br><br>For more information, see pages 56 and 96. |

### KEY RISK/OPPORTUNITY IDENTIFIED IN STAKEHOLDER ENGAGEMENT PROCESS

| RISK | OPPORTUNITY: |
|---|---|
| Not consistently living up to Redefine's people-centric brand promise results in reputational damage | Living our values in the course of our daily interactions with tenants strengthens our brand and enhances our competitive advantage. |

BE A BUSINESS PARTNER OF CHOICE

## PROPERTY BROKERS AND SUPPLIERS

| ISSUES RAISED | OUR STRATEGIC RESPONSE |
|---|---|
| Information supply and response times<br>Untimely payments<br>Time to conclude contracts/agreements | We are focused on enhancing our operational efficiency and fine-tuning our structures to build strong relationships with our brokers and suppliers. We understand, however, that in optimising costs there are relational trade-offs that need to be carefully managed. |

### KEY RISK/OPPORTUNITY IDENTIFIED IN STAKEHOLDER ENGAGEMENT PROCESS

| RISK | OPPORTUNITY |
|---|---|
| Loss of tenants due to breakdown of relationships with brokers | An opportunity exists for us to further refine our internal processes in order to ensure deals are processed more efficiently to enhance relationships with our property brokers – making us the business partner of choice. |

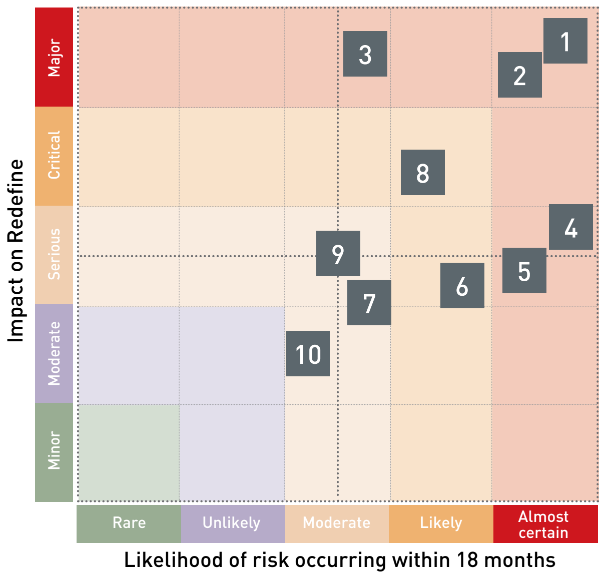
# TOP-OF-MIND RISKS AND OPPORTUNITIES



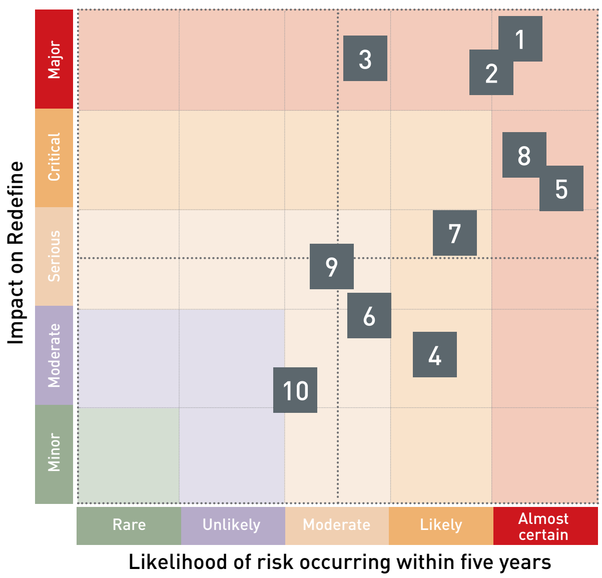
Our risk management processes are embedded in our everyday business activities and culture. For us, risk management involves achieving an appropriate balance between realising opportunities for gain while minimising the adverse impacts of these risks.

As part of the risk assessment process, risks are assessed over the short, medium and long term. The heatmaps below provide an overview of the assessment of the strategic risks considered from an inherent risk perspective (before considering mitigating efforts) and from:

### AN 18-MONTH TIME HORIZON




### A FIVE-YEAR TIME HORIZON




| | RISKS AND PRIOR YEAR RANKING | OPPORTUNITIES |
|---|---|---|
| 1 | Downgrading of South African Sovereign Credit Rating (2015: 2) | While the scale of our organisation will assist us in weathering the storm of a downgrade, our international diversification strategy is such that a downgrade will enhance the value of our international portfolio and is thus counter cyclical. |
| 2 | Sluggish or negative economic growth (2015: 1) | Acquiring/developing modern well-located assets that reduce occupation costs and attract/retain tenants while preserving natural capital, growing our reputation as a responsible business.<br><br>The depressed economic climate may create distressed acquisition opportunities. |
| 3 | Lack of sustainable growth (emerging risk) | We meet our future growth targets by leveraging every opportunity presented in a challenging macro environment through diversifying into new asset classes and expanding in offshore markets that offer better growth prospects. |
| 4 | Damage to property and security-related threats (2015: 11) | An opportunity exists to differentiate our properties through increased security measures that do not impact on a tenant's experience but rather adds to it. |
| 5 | Increased competition for tenants, capital and property assets (2015: 5) | Our strategic drive to grow our brand is a means of setting us apart. This drive will encourage us to solidify the Redefine brand promise in an increasingly competitive marketplace. |
| 6 | Inability to achieve BBEEE compliance (2015: 6) | By mobilising resources, both human and financial, through our transformation, learnership programme and CSI investment initiatives, we enable better education and skills development, contributing to the growth of available human capital and growing our brand (social and relationship capital). |
| 7 | Failure to comply with local and international laws and regulations (2015: 8) | Ensure better systems and processes are in place to assist in achieving compliance requirements. The implementation and monitoring of our compliance framework systematises compliance issues and reduces man-hours spent. |
| 8 | Utility supply failure (2015: 4) | Our focus on decreasing our dependence on natural capital resources through the development and acquisition of more sustainable buildings not only helps to mitigate the risk of utility supply failure but also serves to enhance our brand and attracts quality tenants who are willing to sign long-term leases for better performing buildings. |
| 9 | Property obsolescence (2015: 10) | Remaining relevant through a continuous review of making the highest and best use of every asset. |
| 10 | Tenant concentration (2015: 7) | Ensuring the correct tenant mix in our properties and across our portfolio as a whole creates a competitive advantage in that we secure the resilience of the Group by avoiding over-reliance on certain tenants, and also optimises the performance of our assets. |

| STRATEGIC RESPONSE TO RISKS | STAKEHOLDER GOAL IMPACTED | CAPITAL IMPACTED | PRIMARY STRATEGIC MATTER IMPACTED |
|---|---|---|---|
| → Appropriate diversification of international and local assets and funding sources.<br>→ Hedging of funding and income in place<br>→ Spreading of debt maturity profile | BE AN INVESTMENT OF CHOICE | | |
| → Ensuring appropriate tenant selection and ongoing monitoring of tenant strength and effective credit management<br>→ Ongoing assessment of the investment life cycle of the portfolio<br>→ Appropriate diversification of international and local assets<br>→ Increased focus on the development of a sound defensive asset base | BE AN INVESTMENT OF CHOICE<br>BE A LANDLORD OF CHOICE | | |
| → Regular forecasting and monitoring of actual performance<br>→ Conservative hedging policies<br>→ Regular stakeholder engagement<br>→ Long-term asset management plans<br>→ Geographic diversification<br>→ External benchmarking of executive remuneration<br>→ Transparent reporting | BE AN INVESTMENT OF CHOICE | | |
| → Diversification of asset base<br>→ Effective security programme<br>→ Effective evacuation procedures<br>→ Closer liaison with SAPS<br>→ Insurance programme, including riot cover<br>→ Health and safety function monitoring and oversight | BE A LANDLORD OF CHOICE<br>BE A COMMUNITY PARTNER OF CHOICE | | |
| → Appropriate sector and geographical diversification of assets<br>→ Exploration of alternative asset classes | BE A LANDLORD OF CHOICE<br>BE A BUSINESS PARTNER OF CHOICE | | |
| → Implementation and monitoring of the BBBEE compliance strategy<br>→ Empowerment Trust | BE A LANDLORD OF CHOICE<br>BE AN EMPLOYER OF CHOICE<br>BE A BUSINESS PARTNER OF CHOICE | | |
| → Education and training<br>→ Oversight and monitoring<br>→ Compliance framework | BE A LANDLORD OF CHOICE<br>BE AN EMPLOYER OF CHOICE<br>BE AN INVESTMENT OF CHOICE<br>BE A BUSINESS PARTNER OF CHOICE<br>BE A COMMUNITY PARTNER OF CHOICE | | |
| → Smart metering project roll-out<br>→ PV solar and backup generators<br>→ Enhancing relationships with local councils<br>→ Location of properties in well-serviced areas<br>→ Focus on building efficiencies to reduce consumption | BE A LANDLORD OF CHOICE<br>BE A COMMUNITY PARTNER OF CHOICE | | |
| → Increased focus on the development of a sound defensive asset base<br>→ Refurbishment and redevelopment programme<br>→ Improve sustainability of existing buildings | BE A LANDLORD OF CHOICE<br>BE AN INVESTMENT OF CHOICE | | |
| → Extending and improving lease portfolio<br>→ Continuous review of portfolio<br>→ Ongoing monitoring of tenant concentration | BE AN INVESTMENT OF CHOICE | | |

# ADVANCING OUR STRATEGIC THINKING

**DURING 2016, WE ALIGNED OUR ORGANISATION TO OUR REFRESHED STRATEGY, FOCUSING ON WHAT MATTERS MOST**

In a challenging operating environment, it's not the identification of the risk that defines sustainable businesses – those that will be around for years to come – but their balanced strategic responses that give consideration to their impacts on each capital through applying integrated thinking to each strategic choice.

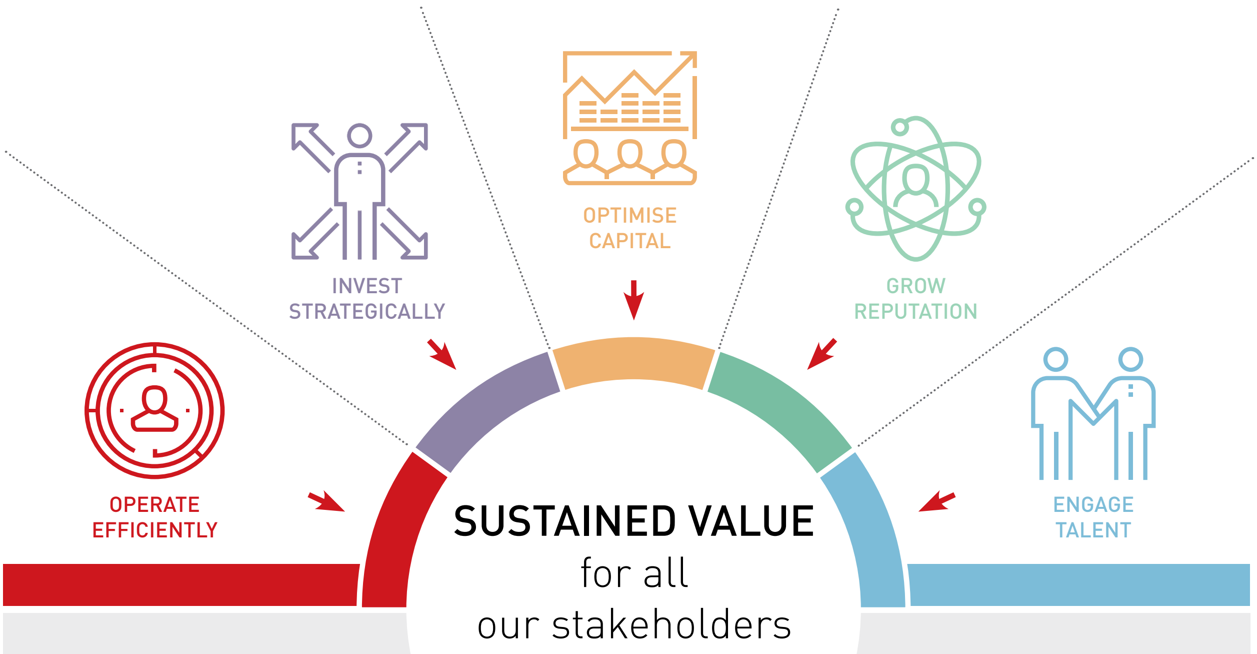
While our strategy has guided us faithfully over the years, watershed events beyond our direct control have made it clear that a focus on those factors that we can control, across all spheres, is key to absorbing and embracing the unknown.

## Redefine's game plan

- → Quality earnings (cash flow) underpin sustained growth
- → Our focus is on real estate and related investments – not a particular sector
- → We are opportunistic and invest where we believe the best market opportunities lie
- → A balance is required between defensive assets and those that can be improved
- → The acquisition of Pivotal will largely complete our drive to improve quality of our local portfolio
- → We will continue to protect, expand and improve existing local properties as well as recycle secondary assets
- → Our international exposure is continually reviewed given the low growth in the United Kingdom and Australia
- → Poland is a market that holds great promise for growth through acquisition, development and extensions
- → Our strategy is aligned to long-term trends and is tweaked for opportunities and risks

## FOCUSING ON WHAT MATTERS MOST

To sustain growth, we need to manage more than simply our finances and our properties. We need to make strategic decisions that develop and preserve all our capitals – financial, manufactured, human, social and relationship, intellectual and natural.



We measure our performance against what matters most using relevant key performance indicators (KPIs) that are linked to our remuneration structures.

## Our long-term objective

To increase our total returns through inproved cash flow and capital appreciation in order to deliver sustained growth for all our stakeholders.

| | |
|---|---|
| HOW WE CALCULATE OUR TOTAL RETURN | Total return = distribution per share + net tangible asset value (NTAV) growth per share |
| HOW WE MEASURE UP | Total return: 2016: 12.9% \| 2015: 19.6% REM |

### TO ACHIEVE OUR OBJECTIVE, WE HAVE FIVE STRATEGIC MATTERS:

### OPERATE EFFICIENTLY

Operational efficiency is not only about cutting costs. It's about finding the best possible way to do what we do with the capitals at our disposal. In the current environment, we need to weatherproof our cash flow by focusing on the variables under our control.

#### HOW WE MEASURE UP: Targets and KPIs

| | |
|---|---|
| REM | **Operating margin of the active portfolio:** |
| | Target: > 75% |
| | 2016: 80.0% |
| | 2015: 80.4% |
| | 2014: 81.2% |
| | **Net operating income growth of the active portfolio:** |
| | Target: > 5% |
| | 2016: 4.1% |
| | 2015: 3.1% |
| | 2014: 5.9% |
| REM | **Tenant retention rates:** |
| | Target: > 80% |
| | 2016: 92% |
| | 2015: 87% |
| | 2014: 86% |
| REM | **Vacancy rate:** |
| | Target: < 8% |
| | 2016: 4.9% |
| | 2015: 5.4% |
| | 2014: 5.5% |
| | **Number of green star-rated buildings:** |
| | Target: 15 |
| | 2016: 14 |
| | 2015: 12 |

#### WHAT WE ACHIEVED IN 2016

| | |
|---|---|
| Achieved | The Fountainhead and Leaf portfolios acquired during 2015 were fully integrated during 2016 |
| Achieved | Aligned organisational structure to strategic priorities with the introduction of new structures within the asset management and property management activities of the business. Sector-specific asset managers and general managers for the Gauteng and coastal property management regions have been appointed |
| Continuous process | Maintained a high level of tenant retention rates and improved occupancy rates across all sectors in a tough economic environment |
| Continuous process | Preserved the net operating margin despite the operating context and the uncontrollable administered costs |
| X | Net operating income on the active portfolio (those properties owned for 24 months) has grown by 4.1% |
| Continuous process | We embarked on the journey of pursuing green star ratings on our existing buildings, in addition to the newly developed buildings which have all been green star-rated |

#### 2017 PRIORITIES

- Maintain operating margins
- Formalise and refine business processes
- Optimise the functionality and output of technology infrastructure
- Attract and retain quality tenants
- Extend lease expiry profile
- Minimise and reduce vacancies
- Preserve annual escalation rates
- Optimise outsourced functions
- Exploit non-gross lettable area (GLA) income opportunities
- Manage business and stakeholder environmental impacts
- Mitigate insurable risk
- Integrate 2016/2017 acquisitions

**Link to executive directors' remuneration:** REM   **Not achieved** X   **Achieved** ✓   **Continuous process**

# SCORECARD BY STRATEGIC MATTER (CONTINUED)

## INVEST STRATEGICALLY

We are seasoned property and financial professionals. We use our combined years of experience to make strategic choices to selectively deploy the six capitals that create enduring benefit for our organisation, while creating value for our investors, tenants and all other stakeholders. This insight sets us apart and is material to our success going forward.

### HOW WE MEASURE UP: Targets and KPIs

| | |
|---|---|
| REM | **NTAV growth per share:** |
| | Target: 6% |
| | 2016: 3.4% |
| | 2015: 11.7% |
| | 2014: 12% |
| | **% of assets invested offshore:** |
| | Target: < 25% |
| | 2016: 24.8% |
| | 2015: 17.2% |
| | 2014: 14.5% |
| | **Average value per property:** |
| | Target: > R185 million |
| | 2016: R181 million |
| | 2015: R154 million |
| | 2014: R127 million |

### WHAT WE ACHIEVED IN 2016

- ✓ Significantly extended the scope of our international interests via the investment into EPP
- Continued focus on improving the quality of the local property portfolio:
  - ✓ R2.2 billion development projects completed during the year
  - ✓ Disposed of 15 government tenanted properties to Delta for R1.3 billion
  - ✓ Recycling of other secondary local assets (R431.5 million) exceeded acquisitions of R228.3 million
- ✓ 51% investment into Respublica Student Living and in the process of converting two additional properties into student accommodation (Hatfield Square and Yale Village)
- (Continuous process) Offer to acquire Pivotal advances local strategy in 2017. The acquisition positions Redefine even more competitively in the commercial property sector in line with its strategic intent to become the landlord of choice in A-grade office space in sought-after areas of South Africa

### 2017 PRIORITIES

- → Optimise asset allocation between core, defensive and secondary properties
- → Remain ahead of market cycles
- → Continuously review the mix of sectors
- → Maintain a long-term asset strategy per asset
- → Increase cash flows from assets
- → Redevelop existing properties to enhance income growth
- → Monitor and meet tenant upgrading and expansion requirements
- → Recycle capital to sustain future growth
- → Continuously improve the quality of the core property portfolio
- → Invest only in wel-serviced areas
- → Lower the property age profile and increase average property values
- → Explore investments outside traditional sectors
- → Invest opportunistically in local listed securities
- → Partner with developers in attractive new investment opportunities
- → Limit speculative development to a maximum of 5% of the portfolio value
- → Diversify risk geographically
- → Benefit from investing in higher-yield-spread environments
- → Expand foreign income and capital growth opportunities at low risk

**Link to executive directors' remuneration:** REM **Not achieved** X **Achieved** ✓ **Continuous process**

## OPTIMISE CAPITAL

We need to have adequate funding available to deploy capital into the right property opportunities. Exposure to interest rate and currency volatility needs to be responsibly managed. We also need to ensure that our existing portfolio is optimally funded to increase our returns and ensure sustained and predictable growth. By optimising capital we make the best use of scarce financial capital to create value for our stakeholders.

### HOW WE MEASURE UP: Targets and KPIs

| | |
|---|---|
| REM | **% of debt hedged:** |
| | Target: > 75% |
| | 2016: 82.1% |
| | 2015: 81.3% |
| | 2014: 78.3% |
| REM | **Moody's credit rating:** |
| | Target: Maintain investment credit rating |
| | 2016: - Global long-term: Baa3<br>- National long-term: Aa2.za |
| | 2015: - Global long-term: Baa3<br>- National long-term: A3.za |
| | 2014: - Global long-term: Baa3<br>- National long-term: A3.za |
| REM | **Loan to value ratio:** |
| | Target: < 40% |
| | 2016: 38.5% |
| | 2015: 36.7% |
| | 2014: 38.0% |

### WHAT WE ACHIEVED IN 2016

- Broadened quality-rated funding sources – shortly after financial year end, Redefine successfully placed secured bonds with a principal amount of EUR150 million (R2.4 billion) bearing a coupon of 1.5%, exchangeable in five years into ordinary shares of RI PLC, the proceeds of which were used to partially refinance the bridge facility raised for the purchase of EPP
- Maintained strong credit metrics – on 11 May 2016, Moody's repositioned the national scale rating. As a result of the recalibration, Redefine's national credit rating has improved opening up further opportunities to raise capital on the debt capital market. The rating was refreshed during July 2016 and remains unchanged
- Adopted policy of hedging of international income

### 2017 PRIORITIES

- Target the lowest available cost of fixed and variable debt funding
- Optimise funding maturity profiles
- Broaden quality-rated funding sources
- Maintain loan-to-value ratios at or below 40%
- Improve investment profile to maintain current forward yield
- Optimise funding and tax structures
- Ensure visibility of income through hedging of interest rates and foreign currency
- Maintain strong credit metrics
- Optimise working capital
- Maintain liquidity

**Link to executive directors' remuneration:** REM

**Not achieved** X **Achieved** ✓ **Continuous process**

# SCORECARD BY STRATEGIC MATTER (CONTINUED)

## ENGAGE TALENT

Recruiting and developing individuals who have the qualifications, know-how and people skills who are aligned to Redefine's human and relationship capital necessary to support our people-centric business is an ongoing challenge that we seek to address in order to continue our growth trajectory. Inspiring our human capital to go above and beyond the call of duty through various programmes ensures that we harness these capitals to their full potential to achieve our vision to be the best in all aspects of what we do.

### HOW WE MEASURE UP: Targets and KPIs

**Engagement capital score:**

| |
|---|
| Target: > 75% |
| 2016: 77% |
| 2015: 73% |
| 2014: 70% |

**Accredited Top Employer 2016 and 2017**

**Number of graduate learners:**

| |
|---|
| Target: > 20 |
| 2016: 27 |
| 2015: 17 |
| 2014: 18 |

### WHAT WE ACHIEVED IN 2016

- Deepened staff engagement through the launch of our employee value proposition (EVP)
- Refined key performance areas and accountability throughout the business
- Accredited as a top employer in 2016 and 2017 by the Top Employers Institute
- Learnership programme in its fourth year and continued to deliver exceptional recruits helping to address the skills shortage issue in the property sector

### 2017 PRIORITIES

- → Enrich employee engagement practices
- → Promote a values-driven culture
- → Energise a culture of reward and recognition
- → Maintain equitable remuneration practices
- → Maintain relevant organisational structures
- → Refine key performance areas
- → Continue leadership development
- → Advocate ethical leadership
- → Continue change management
- → Invest in human capital development
- → Accelerate transformation
- → Ensure employee demographics are relevant

Link to executive directors' remuneration: REM    Not achieved X    Achieved    Continuous process

GROW REPUTATION

Our brand is the essence of who we are and is the glue that holds our business together. We differentiate ourselves through a dedicated people-centric approach to business, focusing on excellence in the context of relationships. The strength of our brand is the key factor in our success in a market that is fiercely competitive.

Growing our reputation in the execution of our business in all aspects of what we do leverages off relationship capital.

## HOW WE MEASURE UP: Targets and KPIs

**Ethics survey results:**

| | |
|---|---|
| Target: Maintain result | |
| 2016: A | |
| 2015: A | |
| 2014: A | |

REM **BBBEE contributor level:**

| | |
|---|---|
| Target: < 4 | |
| 2016: 3 | |
| 2015: 3 | |
| 2014: 6 | |

**External brand valuation:**

2016: R6.3 billion

## WHAT WE ACHIEVED IN 2016

- Achieved: Undertook a brand valuation for the first time – the brand is valued at R6.3 billion
- Continuous process: Entrenched **"We're not landlords, we're people"** at all levels
- Continuous process: Instilled culture of consistent and ethical behaviour, which is measured by the results from our ethics surveys
- Continuous process: Introduced co-ordinated approach to retail marketing, with pilot projects launched at some of our retail centres
- Continuous process: Ranked fifth in the EY 2016 Excellence in Integrated Reporting survey

## 2017 PRIORITIES

- Advance integrated thinking
- Promote integrated stakeholder engagement
- Increase brand value, awareness and compliance
- Build a strong employer brand
- Improve service to all stakeholders
- Attract and engage brokers and tenants in a focused manner
- Explore and maintain communication platforms
- Actively manage reputation
- Embrace corporate governance
- Promote ethical business practices
- Contribute positively to BBBEE
- Strategically invest in communities for maximum, measurable impact
- Remain relevant to the societies in which we operate

**Link to executive directors' remuneration:** REM **Not achieved** X **Achieved** **Continuous process**

# DELIVERING SUSTAINED STAKEHOLDER VALUE

**We are about relationships.** Value for Redefine is about meeting our stakeholder goals, which we measure by the outputs we deliver to our stakeholders that support the outcome of long-term relationships of trust. We strive to distribute value to our stakeholders in several ways. Some of these manifest themselves in financial value while others bring about more intangible benefits.

## TENANTS

| VALUE DISTRIBUTED | STAKEHOLDER GOAL | |
|---|---|---|
| **R4.5 million** quality space<br>**R80.2 million** spent on tenant installations | BE A LANDLORD OF CHOICE | We want to own and manage spaces that enable individuals and businesses to thrive. This necessitates that we develop relationships of trust with our tenants, whereby they understand that our chief concern is to see them flourish. |

## INVESTORS AND FUNDERS

| VALUE DISTRIBUTED | STAKEHOLDER GOAL | |
|---|---|---|
| Delivered distributions of **86.0 cents** per share, amounting to **R3.7 billion** during the year<br>To return growth of **12.9%**<br>Paid interest of **R2.1 billion** | BE AN INVESTMENT OF CHOICE | Deserving the trust that our shareholders and investors place in us when they invest in Redefine is our goal. We want to be more than a safe place for their investment, we want to offer our investors and shareholders sustainable growth that is responsible to the planet and to the people in our value chain. |

## PROPERTY BROKERS AND SUPPLIERS

| VALUE DISTRIBUTED | STAKEHOLDER GOAL | |
|---|---|---|
| **R2.5 billion** distributed to suppliers | BE A BUSINESS PARTNER OF CHOICE | Ensuring that our relationships with property brokers, development partners, suppliers and service providers are mutually beneficial is key – supporting growth and value for our partners and for Redefine. |

## EMPLOYEES

| VALUE DISTRIBUTED | STAKEHOLDER GOAL | |
|---|---|---|
| Invested **R7.8 million** in training and development<br>Paid **R239.7 million** in remuneration | BE AN EMPLOYER OF CHOICE | Our people are our success – we therefore seek to support their continued growth and development in line with this understanding. |

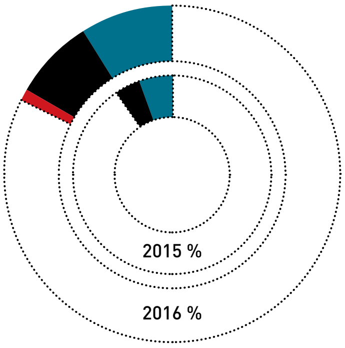
## COMMUNITIES

| VALUE DISTRIBUTED | STAKEHOLDER GOAL | |
|---|---|---|
| **R1.5 billion** in contributions to society through direct and indirect taxes, and community investments including donations, in-kind contributions and associated management costs<br>New developments contributed to job creation and community upliftment | BE A COMMUNITY PARTNER OF CHOICE | We believe that our business has the ability to be an agent of social change – that is, the ability to pursue financial success in a way that also yields societal benefits. We believe that this is achieved through collaborative relationships on all levels of our business and in the communities in which we operate. |

# Value created

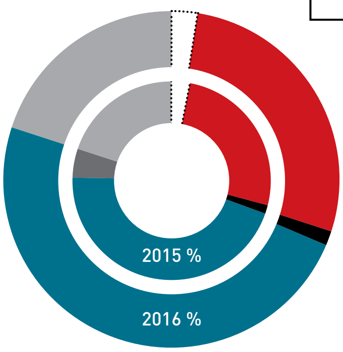
Redefine is in the business of generating cash.

## Cash value generated

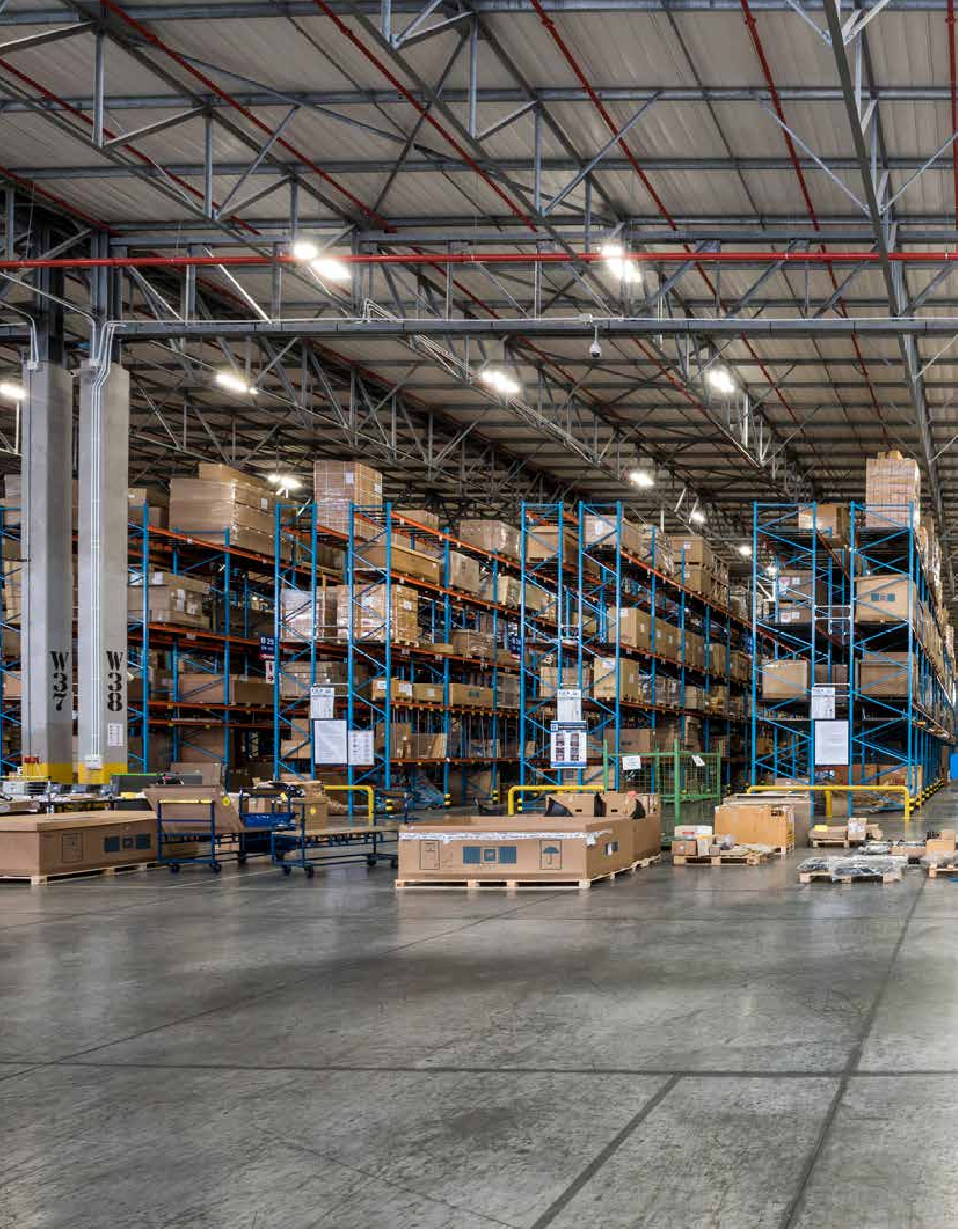



| | 2016 R'billion | 2015 R'billion | % change |
|---|---|---|---|
| Revenue | 6.5 | 6.5 | (0.3%) |
| Investment income | 0.1 | - | 100.0% |
| Interest received | 0.6 | 0.3 | 94.8% |
| Equity-accounted result of associates | 0.7 | 0.4 | 89.7% |
| Profit from discontinued operations | 0.0 | - | 100.0% |
| Property and other operating expenses | (0.3) | (0.8) | (67.2%) |
| **VALUE GENERATED** | **7.6** | **6.4** | **19.4%** |

## Cash value distributed




| | % contribution | 2016 R'billion | 2015 R'billion | % contribution |
|---|---|---|---|---|
| Employees | 3.1% | 0.2 | 0.2 | 3.3% |
| Providers of debt (interest) | 27.9% | 2.1 | 1.7 | 26.4% |
| Government (taxation) | 1.5% | 0.1 | 0.1 | 1.5% |
| Shareholders | 48.2% | 3.7 | 2.9 | 44.8% |
| Minorities | 0.2% | 0.0 | 0.3 | 4.1% |
| Municipalities | 19.3% | 1.5 | 1.3 | 19.9% |
| **VALUE DISTRIBUTED** | **100.0%** | **7.6** | **6.4** | **100.0%** |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W38

# THE SUCCESS OF OUR BUSINESS

relies on strong leadership and robust corporate governance

GM COEGA, EASTERN CAPE

# BOARD OF DIRECTORS

The calibre and commitment of our leadership is key to achieving our vision. Our Board is responsible to our stakeholders for the delivery of this vision. For full CVs please refer to AGM.

## Leon Kok (45)

**Financial director**

*BCom, BCom Hons (Acc), CA (SA)*

## Marc Wainer (68)

**Executive chairman**

## Andrew König (49)

**Chief executive officer**

*BCom, BAcc, CA (SA)*

## Ntombi Langa-Royds (54)

**Independent non-executive director**

*BA (Law), LLB*

## Marius Barkhuysen (60)

**Independent non-executive director**

## David Nathan (67)

**Independent non-executive director**

*CA (SA)*

## Günter Steffens (79)

**Independent non-executive director**

## David Rice (60)
**Chief operating officer**

## Mike Ruttell (58)
**Executive director: development**
*BSc QS, MRICS, HBS AMP*

## Michael Watters (57)
**Non-executive director**
*BSc Eng (Civil), MBA*

## Harish Mehta (66)
**Independent non-executive director**
*BSc, MBA*

## Bernie Nackan (72)
**Lead independent non-executive director**
*BA Econ, SEP*

## Phumzile Langeni (42)
**Independent non-executive director**
*BCom, BCom Hons*

# EXECUTIVE CHAIRMAN'S INTERVIEW

## How would you describe the operating environment during the 2016 financial year?

Redefine has a diversified portfolio, with exposure locally and abroad. So when we talk about the external context, we use a wide-angle lens.

Locally, we've faced a roller-coaster ride of highs and lows. 2016 was a watershed year for South Africa. Following the local government elections in August, we've entered a new era of competitive politics. In politics, as in business, competition drives delivery, making us work harder, shake off complacency and find solutions.

On the ground, however, we are in a similar position to last year, facing almost non-existent economic growth; with social and political issues – such as the #FeesMustFall Campaign and the standoff that took place between the finance minister and sections of government – exacerbating uncertainty. In light of this, business confidence is falling to levels we had hoped not to revisit following Nenegate in December 2015. Add rising administered prices to the mix, and you can begin to understand the challenging local context in which we find ourselves.

Internationally, things have been far from quiet. In the aftermath of Brexit, economic prospects for Britain look bleak in the short to medium term, as the complexities of the world's most complicated divorce play themselves out amid continuous market reactions. As a result of this uncertainty, the sluggish growth prospects for the Eurozone are set to continue.

## What does this mean for Redefine?

From our perspective, uncertainty creates opportunity for those agile and courageous enough to embrace it. Take, for example, the international low interest rate environment, perpetuated by the global financial crisis and subsequent economic fallout, which has created an opening for us to exploit attractive offshore yield spreads by investing offshore through in-country debt funding. This, coupled with a resultant natural Rand hedge on capital, has made offshore investments appealing.

During the year, we were able to secure a momentous international deal. The acquisition of EPP in Poland was a game changer for our international strategy. It has the scale, growth opportunities through asset management, developments and acquisitions and, most importantly, the right local partner to take a major part of our international business to the next level. It has also brought us close to major investors in Echo, mainly Pimco and Oaktree, through which we are exploring further business opportunities.

EPP sought a dual listing on the LuxSE and the JSE during the year. We consider this a powerful strategic move to generate growth and development in an exciting offshore jurisdiction. Listing significantly improves access to expansionary capital and allows existing and future shareholders to invest in a dynamic and highly attractive environment. Both Pimco and Oaktree have indicated their support for the listed vehicle and would consider providing additional capital as and when required.

The Pivotal Fund deal currently underway in South Africa is another major win for us, driving our local strategy to improve quality forward through a single transaction. The transaction was motivated by our strategic intent to recycle capital by disposing of secondary (office) assets and replacing them with prime assets such as those owned by Pivotal. We believe this deal sustains value for Pivotal's shareholders too, offering the Company's shareholders an opportunity to convert to a REIT structure that guarantees dividend payouts, exposure to hard currency earnings and enhanced liquidity.

The opportunity presented itself as a result of the challenging macroeconomic climate. Development funds like Pivotal are facing a number of challenges, including the increased cost of capital and a sluggish leasing environment which has put pressure on the feasibility of developments and their returns.

So, yes, the business climate is difficult. But we are poised to see through the challenges to the opportunity, and that is what sets us apart.

## What do you believe enables this ability to see opportunity where others see only difficulty?

In my mind, the most important differentiator is our people and our belief that people are at the centre of what we do. Relationships are always dynamic, and so are we. Our ability to remain focused, relational and agile, despite our growing size, will continue to set us apart. Understanding this, we have spent a great deal of time and effort on preserving and nurturing our people-focused ethos. This focus remains across all facets of the business, ensuring a single-minded purpose and dogged alignment that we believe will see us through the growing uncertainty around us.

We say 'property is our commodity – people are our business.' We want to build a business that is based on people who live our values. It's still a work in progress, and always will be, but I believe this separates us from our competition and ensures our adaptability going forward.

## Your role as an executive chair has been controversial at times. Why has Redefine taken this unconventional approach to corporate governance?

I don't mind being a bit controversial. I've come to understand that our shareholders acquire our shares for different reasons. We believe that our role is to make their investment work hard. I think that the role of corporate governance, in particular, is to protect shareholder value. In our case, that means understanding best practice and making it work within our context while ensuring that all the necessary checks and balances remain in place. The roles between Andrew, our chief executive officer, Bernie, our lead independent non-executive director, and me are very different but clear. I don't see my position as executive chairman as a long-term one, but for now, our roles are functional and value-accretive.

Recently, we completed a thorough review of our Board and committee structures to enhance our corporate governance and accelerate transformation. Changes to the Board were made. Günter Steffens, an independent non-executive director, and Michael Watters, a non-executive director, have both stepped down from the Board. I extend my gratitude to both for their significant contributions to Redefine over the past few years.

In addition, David Rice, our chief operating officer, and Mike Ruttell, our executive director for development, will withdraw from the Board in the coming year but will remain key members of our executive management team and standing invitees to Board meetings.

I want to take this opportunity to thank both David and Mike for their service and invaluable insight on Redefine's Board.

In the new year, Bridgitte Mathews will join the Board as an independent, non-executive director. We welcome Bridgitte and the wealth of experience she brings to the Board.

## Looking ahead, what do you see for Redefine in the short, medium and long term?

Look, we go through cycles – we've been here before. Since I've been in this business, I've seen several recessions. When things are difficult, you make decisions that keep you moving forward despite the challenges and, in the end, you come through stronger.

At the moment, the climate is tough and is set to remain that way. This affects us daily. What we do is simple: we sell space. But, as with any product, people are reluctant to make long-term commitments if money is tight and they're uncertain about what lies ahead. Businesses and individuals alike are looking for ways to cut costs. As a result, the property industry currently is a game of musical chairs, with tenants moving from one space to the next in search of a better deal. In this environment, we're focused on tenant retention and are not actively pursuing local acquisitions. This focus will continue until we see real growth in our economy.

Notwithstanding these difficulties, we've been successful in securing a number of large-user, high-profile tenants across the portfolio. And I believe this is a testament to the way we operate.

The work we started five years ago to improve the quality of our portfolio – work which will largely be complete after the Pivotal acquisition, as well as a determined focus on efficiency and on people – the relational side of our business, will be what enables us to not only weather the storm but grow because of it. And when, not if, the economy improves, all the hard work and lessons learnt during these tough times will have positioned us for further growth.

## Finally, any closing thoughts you'd like to share?

Yes – I'd like to thank our shareholders – your support is invaluable to our success. To our Board – thank you for your backing and guidance during the year. To our management team, especially Andrew and the rest of our executive committee, thank you for your dedication throughout the year.

Finally, to our tenants and investors – thank you for your continued support, and to our employees – thank you for moving Redefine forward during these challenging times and making things happen.

**Marc Wainer**
Executive chairman

**OUR STRONG PURPOSE AND DOGGED ALIGNMENT IS WHAT WILL ENSURE OUR CONTINUED GROWTH IN THESE UNCERTAIN TIMES**

MARC WAINER – EXECUTIVE CHAIRMAN

# CHIEF EXECUTIVE OFFICER'S REVIEW



## Overview

Our integrated report is the window into our business, a tool for engaging with our stakeholders and bringing together the most pertinent information on what matters most to our ability to create sustained value.

While economic uncertainty and financial market volatility remained pervasive themes throughout 2016, our people-centric business model and vision of being 'the best in all aspects of what we do' has enabled our achievement of a 7.5% growth in our full-year distribution to 86 cents per share, in line with market expectations.

## Connecting with change

Real estate is a long-term asset class, and our focus is on delivering value for our stakeholders in the short, medium, and long term. And for us, value goes beyond financial returns – encompassing the relationships we build and the societal value we add. But, in the face of the prevailing economic, social and political uncertainties, which impede our capacity to predict and prepare for the future, how do we make this happen?

This was a recurring question we asked ourselves during 2016 as unpredictable events, or black swans, such as Nenegate and Brexit (easily digestible names we've given to market-altering events) continued to dramatically shift the goalposts on how we deliver real value to all our stakeholders.

The broader truth we're facing is that our business environment becomes more unpredictable with each passing year, increasingly defined by instability, uncertainty and disruption. Emerging economies are slowing, and growth in many developed countries is dependent on extreme monetary policies that will inevitably end. Business growth, long term and inclusive in nature, is becoming harder and harder to come by, leading to anti-establishment rage across the globe.

In this globalised and rapidly changing context, there is no such thing as business as usual. We need to navigate an extraordinarily complicated path, which requires constant engagement, reflection and agility to adapt to the resultant opportunities. In this endeavour, we believe that engagement, shared purpose and strong alignment to what matters most are mission-critical.

## Aligning our business with what really matters

We may not be able to befriend the black swan, but we believe that we can tame it by honing our efforts and harnessing the collective power of our employees' passion through our shared focus and values.

Our mission of delivering sustained stakeholder value in a shifting context was the starting point for developing our refreshed strategy. By carefully assessing the opportunities and risks inherent in our new normal environment, we determined five areas that are most material to our ability to create and sustain value. We then concentrated our efforts on aligning our business and employees with focal point, using our mission, vision and values as a constant guide.

We believe that this step towards greater connectivity or alignment is one that is more congruent with who we are, and this unique approach is what sets us apart. For us, it's all about relationships, and that is why, despite, or maybe because of, the challenges we face, we will continue to move forward.

These five top-of-mind focal points guide our strategic choices and actions, much like the points on a compass does in an unknown terrain.

## Operate efficiently

We believe that efficiency should not be solely driven by cost, but centred on increasing real business value in all aspects of what we do.

With this in mind, we realigned our employee structures during 2016, critically evaluated specialist non-core functions, successfully integrated 2015 acquisitions and enhanced our senior management capacity as part of a broader asset and property management strategy. This more focused approach has allowed us to home in on areas that are key to enhancing our tenants' experiences, thus improving our tenant retention and increasing occupancies, offering a buffer against rent reversions.

In a challenging market, capitalising on alternative revenue streams in the non-GLA space has become a priority for Redefine.

Property is embedded in the economy and the community. The properties we acquire and develop, as well as the way we manage these properties, has a significant impact on both. By embracing sustainability in all aspects of what we do, we seek opportunities to deliver enduring value and mutual benefit to our stakeholders.

In this regard, renewable energy has been an ongoing focus. The rise in administered prices, fast-progressing green energy technologies, favourable exchange rates, as well as previous concerns around the instability of electricity supply are complementary drivers promoting investment into sources of renewable energy, which also bolster the growth potential of green leases for tenants.

At Black River Park, for example, by adopting solar technology, we have been able to reduce energy costs and save approximately R7 million over the past 40 months, with monthly savings of between R1 million in winter and R200 000 in summer. With the third phase now online, we anticipate monthly savings to increase by at least 25%. In addition to this, all new developments incorporate solar-generated electricity, and there are a number of solar projects underway on existing buildings.

# OUR INTEGRATED REPORT IS THE WINDOW INTO OUR BUSINESS,

A TOOL FOR ENGAGING WITH OUR STAKEHOLDERS AND BRINGING TOGETHER THE MOST PERTINENT INFORMATION ON WHAT MATTERS MOST TO OUR ABILITY TO CREATE VALUE

ANDREW KÖNIG – CHIEF EXECUTIVE OFFICER

## Invest strategically

We are in the business of generating cash flow in order to enable sustained growth in value. We do this by allocating capital where we believe the best market opportunities lie and reduce risk by diversifying our property portfolio. To this end, we continue to invest in well-located properties that are high value, high quality and younger (meaning more efficient), with a focus on blue-chip tenants to improve efficiency and secure growth in rentals – all of which result in an improved cash flow.

Locally, our investment strategy is to continue expansion across the traditional sectors by developing vacant land in under-represented areas with an emphasis on portfolio improvement by acquiring, expanding, protecting and adding value through redevelopments. We also focus on recycling capital through the disposal of assets no longer aligned with our long-term investment strategy.

Accordingly, 2016 provided the groundwork for the offer we made to acquire the entire issued share capital of The Pivotal Fund. This acquisition will position Redefine more competitively in the commercial property sector and diversify our current ownership base by partnering with new co-owners, Abland, in existing co-ownership ventures.

Our diversification into an alternative asset category – student accommodation – gained momentum during the year. Our R750 million redevelopment of Hatfield Square, which will provide 2 200 beds, is currently underway; the acquisition of Midrand Varsity Lodge for R476 million and the conversion of the ABSA campus (near Wits) commenced during the year with 330 beds due to come on stream at the beginning of 2017 and a further 1 000 beds planned for the second conversion phase.

We continuously evaluate our properties and strategic equity stakes for their long-term capital appreciation prospects, as well as sustained income-earning potential. If the price is right and all other uses have been exhausted, we sell secondary assets to recycle the capital into opportunities that have stronger long-term growth prospects.

A major disposal during the year was the sale of our R2.2 billion government-tenanted office portfolio to Delta, which acquired approximately 60% of this portfolio, valued at R1.3 billion, in return for Delta shares.

Our international investment strategy is centred on geographic diversification and taking advantage of positive initial yield spreads. We concentrate on capturing development and asset management opportunities to counter low growth rates locally. Investments into offshore assets, totalling R5.34 billion, were made during the period; 25% of offshore assets are now located in the UK, 39% in Europe (Poland and Germany) and 36% in Australia.

This year we significantly expanded our offshore footprint through a Polish commercial property deal, leading to the creation and inward listing of EPP. The transaction entailed an initial 75% investment into a €1.2 billion high-yielding commercial platform comprising 18 properties by Redefine, with the remaining 25% held by our Polish partners (Echo Investment SA). Redefine onsold 25% to a selected group of co-investors and 5% to Redefine's executive directors. Subsequent to the issue of new shares to other investors through the inward listing, we now hold 38.5% in EPP. The deal is the largest-ever real estate investment transaction in Poland, as well as the largest single transaction of income-generating real estate assets in central eastern Europe.

## Optimise capital

Redefine has income-earning property assets under management with a fair market value of approximately R73 billion, with almost 23% thereof invested offshore. During the year, we widened our international safety net through offshore, yield-accretive acquisitions, which, given the uncertain domestic funding and volatile currency situation, have been financed in the same currency.

For the 2016 financial year, R3.3 billion of the capital deployed was equity funded (excluding the recent capital raise). While recycling capital provided R1.4 billion available for deployment with the balance (mostly international) debt funded, for the first time in Redefine's history, recycling of capital exceeded acquisitions.

During July, we launched a book-build 15 days after Brexit – making us the first property company to do so, and were very pleased with the outcome of the solid investor support. We received applications for R1.8 billion at a price of R11.25 per share (1% greater than the 15-day volume-weighted average price), in excess of our target of R1.5 billion, to which we adhered. The recent capital raise has contained Redefine's LTV within our comfort zone of no more than 40% (currently 39.5%).

During the year, our market capitalisation breached R60 billion for the first time on the back of increased shares in issue and an improved share price. Our credit metrics have also remained sound, with Moody's refreshing its unchanged credit rating during the year.

International investor interest in Redefine at the end of September increased to 24%, driven by monetary easing, the over-sold Rand and Redefine's attractive forward yield.

An emerging top risk is the continued uncertainty in the financial markets, and the consequences thereof – especially when it comes to managing exchange rate risk. Redefine's 25% income exposure to offshore jurisdictions necessitated a careful review of our policies around hedging foreign currency (income) exposures, which we introduced during 2016, fortuitously before Brexit.

## Engage talent

We understand that there is nothing more powerful than our employees' passion and initiative to optimise the opportunity inherent in our brand promise by being the best in all aspects of what we do. We have concentrated our efforts to deepening employee engagement by improving communication and encouraging discretionary effort to go above and beyond the call of duty.

During 2016, our employees were once again encouraged to give feedback on their jobs and work environment by participating in an employee engagement survey. Redefine achieved an overall engagement capital score of 77%, well above the 60% benchmark set (2015: 73% with a benchmark of 60%). The engagement capital score is a metric designed to give the organisation an overall score of employee commitment, discretionary effort and intent to remain with the Company.

We are also proud to announce that we have been recognised as a Top Employer in South Africa for 2017 by an independent global certification company. This is the second consecutive year that Redefine has received this certification of excellence in recognition of our 'exceptional' employee offerings and working environment.

## Grow reputation

We are deliberate in our attempts to integrate social thinking into our business, that is, focusing on entrenching a values-driven culture and the importance of relationships in enabling our day-to-day business.

In this regard, stakeholder engagement is key. During the year, we continued to focus on improving our engagement through the creation of a centralised stakeholder database to ensure our stakeholders' legitimate needs are identified and addressed.

Recognising the centrality of our brand in providing sustained value, we also undertook a brand valuation. The insights gained have allowed us to draw a roadmap going forward to ensure our brand value and strength continues to grow and contribute to our future success.

## Outlook and appreciation

Over the last few years, local economic growth has continued to trend downwards, and we are likely to only produce 0.5% growth in 2016. In the short term, we expect growth rates to increase marginally to around 1.5% in 2017, due to expected lower inflation and a stronger Rand, together with the recovery of the South African agricultural sector from the worst drought in decades. While this is an improvement, it is still well below the level needed to create sustained growth in demand for commercial property space.

In fact, an overview of the demand side of the economy suggests that we can expect a tight economic situation for all our stakeholders, including consumers, investors and the public sector. I believe that productive investment remains the panacea for future economic growth and job creation, and the lack of confidence by investors is deeply concerning. It is, therefore, imperative that all facets of South Africa strive to advance the well-being of economic and business environments.

On the international front, the prospect of low interest rates, volatile exchange rate movements and tepid growth are set to continue.

Despite the gloomy local environment weighing heavily on our domestic operation (office rental growth in particular), we are forecasting our distribution growth per share to be between 7% and 8%. This is thanks to the flatter local interest rate hiking cycle, the introduction of our currency hedging strategy (pre-Brexit), which has to some extent cushioned the stronger Rand, the opportunity to restructure our international funding and the inclusion of the full-year benefit of EPP.

Looking ahead, one thing we can be sure of is that the unknowns will outweigh the knowns. While this will test our mettle, I believe it will also create opportunities for us at Redefine to become the best in all aspects of what we do.

I would like to thank our people for walking the talk when it comes to living our values every day and for striving to be the best version of who they can be. It is this passion that sets our organisation apart. I would also like to extend my gratitude to our Board for its guidance and oversight during the year.

I believe that together we are building a legacy of which we can all be proud – we are well on track to be the best REIT in South Africa.

Thank you.

**Andrew König**
Chief executive officer

# THE KEY BENEFIT TO INTEGRATED REPORTING

IS THE WAY IT HAS DEEPENED OUR SUSTAINABILITY FOCUS AND HELPED EMBED GREATER LEVELS OF INTEGRATED THINKING THROUGHOUT OUR ORGANISATION

LEON KOK – FINANCIAL DIRECTOR

Our financial performance and our value creation for our shareholders is measured through the increase in distribution per share and the generation of growth in tangible net asset value per share, which amounts to a total return basis of 12.9% (2015: 19.6%).

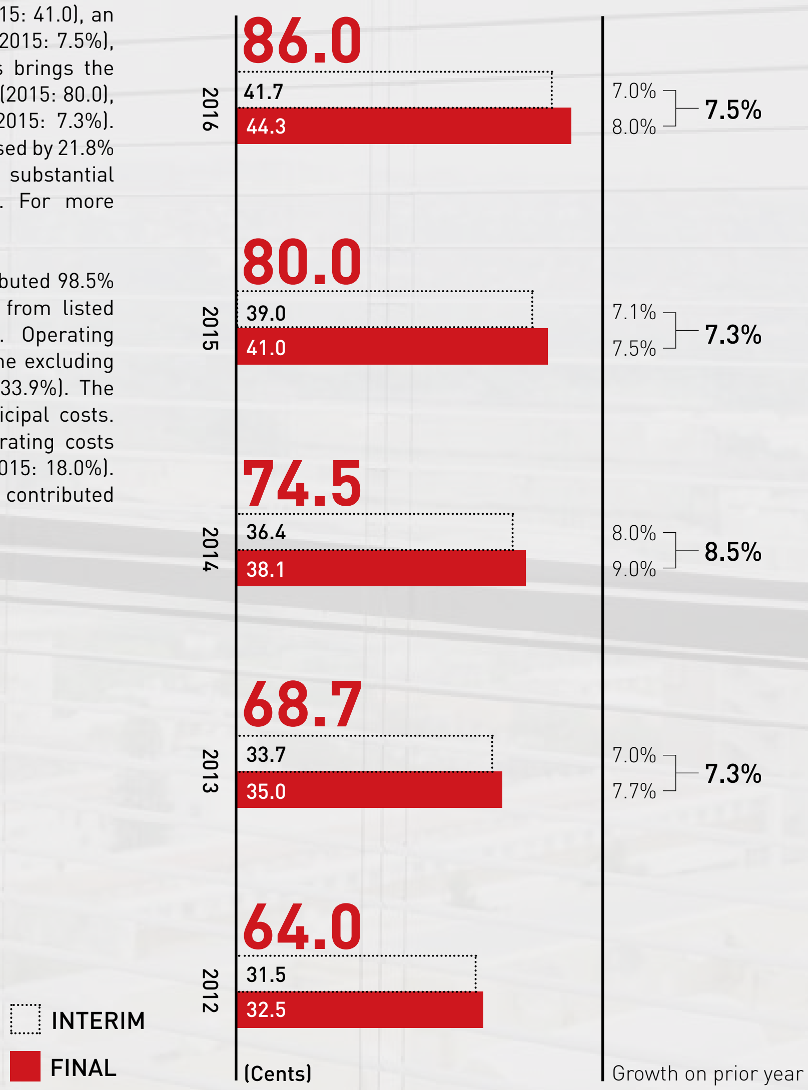
## Distribution

The Board declared a distribution of 44.3 cents per share for the six months ended 31 August 2016 (2015: 41.0), an increase of 8.0% on the comparable period (2015: 7.5%), which is in line with market guidance. This brings the full-year distribution to 86.0 cents per share (2015: 80.0), resulting in year-on-year growth of 7.5% (2015: 7.3%). Gross distributable income for the year increased by 21.8% (2015: 36.3%), benefiting from a number of substantial quality acquisitions made in recent years. For more information, see our AFS.

Property portfolio revenue for the year contributed 98.5% of total revenue (2015: 94.8%) and income from listed securities represented 1.5% (2015: 5.2%). Operating costs were 34.4% of contractual rental income excluding straight-line rental income accruals (2015: 33.9%). The increase is predominantly from higher municipal costs. Net of electricity and utility recoveries, operating costs were 17.9% of contractual rental income (2015: 18.0%). Redefine's international property investments contributed 25.9% of distributable income (2015: 17.0%).

The Company's use of distribution per share as a relevant measure of results for trading statement purposes remains unchanged from prior periods.

DISTRIBUTION PER SHARE GROWTH



## Simplified distributable income statement

The simplified distributable income statement provides a functional analysis of the contributors to our financial result.

| | 2016 R'million | 2015 R'million | Change % |
|---|---|---|---|
| **Net property income** | **4 244** | **3 154** | **34.6%** |
| Listed security income | 163 | 685 | (76.2%) |
| Fee income | 32 | 107 | (70.1%) |
| **Total revenue** | **4 439** | **3 946** | **12.5%** |
| Administration costs | (180) | (170) | 5.9% |
| **Net operating profit** | **4 259** | **3 776** | **12.8%** |
| Net finance charges | (1 330) | (1 075) | 23.7% |
| Taxation | 2 | (7) | (129%) |
| **South African distributable income** | **2 931** | **2 694** | **8.8%** |
| International distributable income | 1 023 | 539 | 89.8% |
| **Distributable income** | **3 954** | **3 233** | **22.3%** |

Refer to the AFS for a traditional IFRS statement of profit and loss and other comprehensive income.

LANGEBERG MALL, WESTERN CAPE

### NET PROPERTY INCOME

Net operating income (NOI) from the property portfolio grew year on year by 34.6% (2015: 28.6%) driven mainly by the completed developments and acquisitions during the current and prior years. The active portfolio's NOI growth was 4.1% (2015: 3.1%). This modest growth is as a result of a muted and competitive letting environment and general cost pressures.

We define properties owned for the full period in both years as the active portfolio.

The active portfolio margin was well maintained at 80.1% (2015: 80.4%), despite the relatively subdued revenue growth of 4.5% (2015: 5.1%) which bears testimony to responsible cost management.

### LISTED SECURITY INCOME

The variance in listed security income relates to the Fountainhead acquisition which was implemented in August 2015. And as a result, the property assets are included in Redefine's property portfolio in 2016. In 2015, Fountainhead was classified as listed securities income for 11 months of the year.

### FEE INCOME

The decrease in fee income on the prior year of 70% relates predominantly to fees (development, asset and property management) no longer earned from Fountainhead.

### ADMINISTRATION COSTS

The growth in administration costs on the prior year of 5.9% is largely driven by payroll-related costs and other general inflationary cost increases.

### NET FINANCE CHARGES

Net finance charges increased by 25.1% on the prior year due to the higher average cost of borrowings as well as Redefine's increased interest-bearing borrowings as explained in the financial capital section. This was partially offset by higher capitalised interest due to the development activity as explained in the manufactured capital section.

### INTERNATIONAL DISTRIBUTABLE INCOME

The increase in international distributable income on the prior year of 90% is driven by the realisation of the Bondi loan, the increased shareholding in Cromwell and Redefine International respectively and the implementation of the investment in Poland through EPP in the last quarter of 2016.

# Simplified statement of financial position

The statement of financial position shows the position of the Group's assets, liabilities and equity at 31 August, and reflects what the Group owns, owes and the equity attributable to shareholders.

As a REIT, the assets on our statement of financial position generate our income, through both capital appreciation and rental income, while the liabilities and the equity line items reflect where our funding was obtained. Refer to the AFS for a traditional IFRS statement of financial position.

| | 2016 R'million | 2015 R'million |
|---|---|---|
| Property assets | 72 687 | 63 821 |
| Goodwill and intangible assets | 5 304 | 5 367 |
| Other assets | 1 821 | 1 301 |
| Total assets | 79 812 | 70 489 |
| Shareholders' interest | 49 641 | 45 137 |
| Interest-bearing borrowings | 28 190 | 23 582 |
| Total funding | 77 831 | 68 719 |
| Deferred tax and other liabilities | 1 981 | 1 769 |
| Total equity and liabilities | 79 812 | 70 488 |

### THE PRIMARY DRIVERS OF OUR STATEMENT OF FINANCIAL POSITION ARE:

**WHERE WE INVEST** – our **manufactured capital** which is our investment properties, listed securities and investments in associates and joint ventures and collectively referred to as 'property assets'

**HOW WE FUND** – our **financial capital** is shown in the balance sheet as shareholders' interest and interest-bearing borrowings

# Sources and uses of capital

The following funding and investment activities were undertaken to extend our platform for sustained value creation as evidenced in our growth in net asset value.

### HOW WE FUND – SOURCES OF CAPITAL

| | |
|---|---|
| **R1.4 billion** Recycling of capital | **R3.3 billion** Equity raised |
| **R4.0 billion** International debt | **R0.2 billion** Local debt |

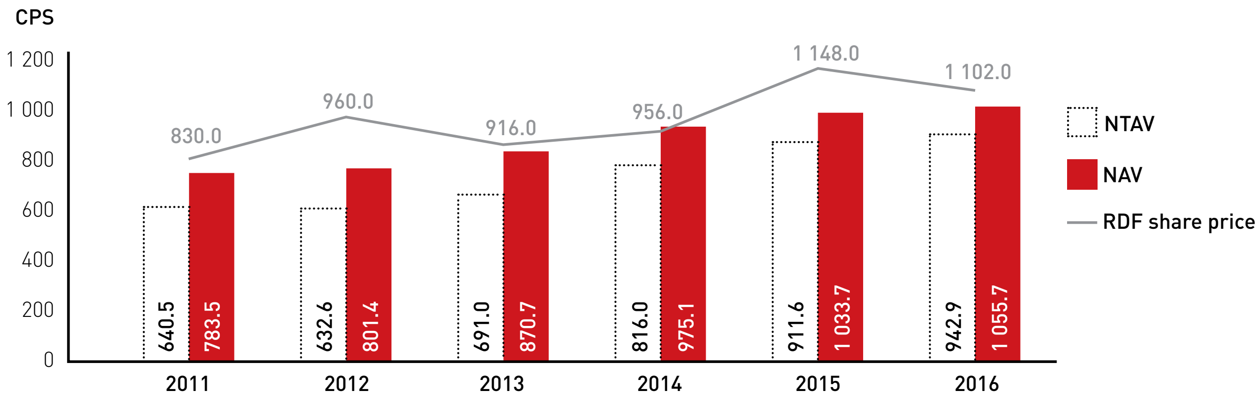
**R8.9 billion**

### WHERE WE INVEST – USES OF CAPITAL

| | |
|---|---|
| **R0.2 billion** Working capital | **R1.7 billion** Developments |
| **R0.3 billion** Loans advanced | **R1.0 billion** Local acquisitions |
| **R5.7 billion** International investments | |

**R8.9 billion**

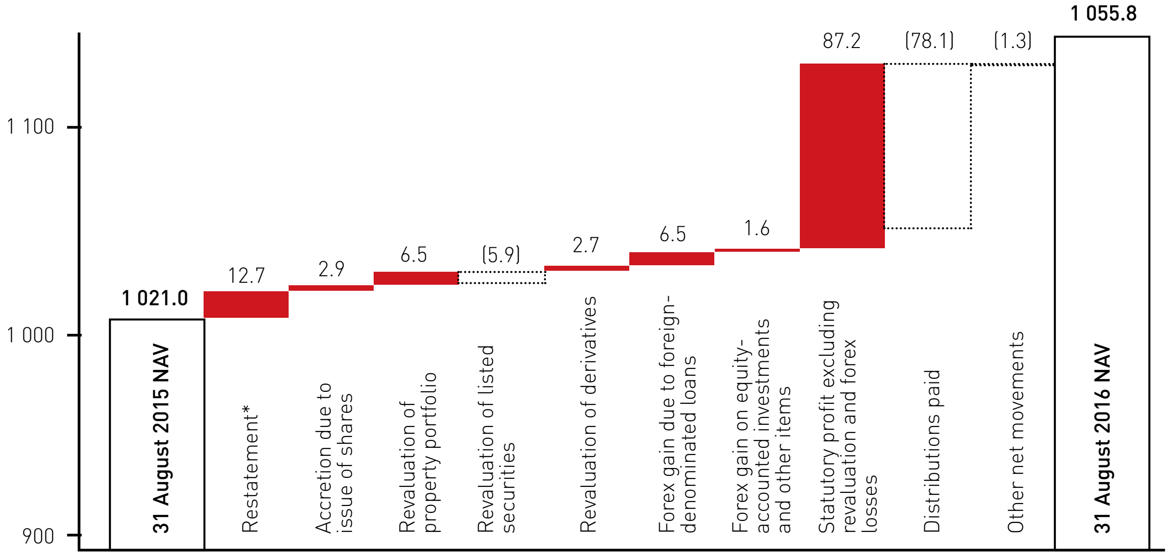
### GROWTH IN NAV



# FINANCIAL DIRECTOR'S REVIEW (CONTINUED)



**DRIVERS OF GROWTH IN NAV**




* Refer note 2 in AFS for a detailed explanation on the restatement.

## Sensitivity analysis

Redefine has a diversified asset base which is robust and capable of absorbing risks to provide a platform for sustainable growth. Given the environment we operate in and the current economic conditions, we are subject to a number of variable factors outside of management control. The analysis below provides some insight to these and the potential impact thereof on the distributable income per share:

| 2017 OUTLOOK SENSITIVITY ANALYSIS | FORECAST 2017 IMPACT (CENTS PER SHARE) |
|---|---|
| Change in vacancy by 10 000m² | 0.3 |
| Change in municipal charges by 5% | 0.1 |
| Change in bad debts by R5 million | 0.1 |
| Change in admin costs by 5% | 0.2 |
| Change in interest rate by 50bps | 0.4 |
| Change in international listed securities distribution by 1% | 0.2 |
| Change in local listed securities distribution by 1% | 0.1 |
| Change in ZAR/GBP exchange rate by R1 | 0.2 |
| Change in ZAR/EUR exchange rate by 10 cents | 0.1 |
| Change in ZAR/AUD exchange rate by 10 cents | 0.1 |

## Appreciation

During the year, our 2015 integrated report was ranked fifth in the top 10 positions in EY's Excellence in Integrated Reporting Awards 2016.

Our integrated report is an outcome of our ongoing efforts to enhance communication with our stakeholders in a forthright manner that addresses prospects and challenges, and remains for us a benchmark for disclosure and accountability. It also offers our stakeholders a window into how we are creating value both inside and outside of the Company. The key benefit to integrated reporting is the way it has deepened our sustainability focus and helped embed greater levels of integrated thinking throughout our organisation. We are delighted to receive recognition that our integrated reporting journey is on the right track and it motivates us to continue improving our stakeholder communication.

I believe that the progress we have made in our integrated reporting bears testimony to our stated vision of being the best in everything we do. The relentless pursuit of this vision by all my colleagues is a source of great inspiration and makes me extremely proud to be part of the Redefine family.

## Prospects

We will continue to pursue our strategy of prudently managing our financial capital to provide an appropriate balance between debt and equity and the associated costs. This approach enables us to execute our strategy and sustain value creation. It reinforces our credit reputation with our lenders and maintains a robust capital base to secure Redefine's ability to provide sustainable returns to stakeholders despite financial market volatility.

**Leon Kok**
Financial director


WEMBLEY SQUARE, WESTERN CAPE

# SUMMARISED CORPORATE GOVERNANCE REVIEW

## Creating value through governance

The Board of Redefine believes that governance contributes to value creation through enhanced accountability, effective risk management, clear performance management, greater transparency, ethical and effective leadership. Such sound corporate governance provides a critical foundation for achieving the Company's strategic objectives while protecting stakeholder value and living the Redefine values.

## The role of the Board

The Board operates in terms of a detailed mandate and takes overall responsibility and accountability for the success and sustainability of the Company in the best interests of all stakeholders. Its role is focused primarily on exercising sound, effective leadership and independent judgement, when considering the Company's strategic direction and overall performance. The Board is also responsible for ethics and transformation, ensuring an effective governance framework, compliance with regulatory obligations and effective risk management.

### LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

- Principles and structures for good corporate governance are in place and are operating efficiently
- The code of business conduct entrenches a culture of intolerance towards unethical conduct, fraud and corruption
- Comprehensive registers are maintained of individual directors' interests and directors are obliged to disclose any potential conflicts of interest

### STRATEGY, PERFORMANCE AND REPORTING

- The Board ensures value creation across the various capitals is integrated into the Company's strategy
- The Board assesses the Company's performance against the approved strategy using pre-determined KPIs
- Relevant frameworks and reporting standards used are appropriate and material financial and non-financial information reported is reliable

### GOVERNING STRUCTURES AND DELEGATION

- The Board is constituted in terms of the Company's Memorandum of Incorporation (MOI) and in line with the King Code of Governance Principles (King Code)
- The Board charter regulates the parameters within which the Board operates and ensures the application of the principles of good governance in all its dealings
- Annual comprehensive evaluations of the Board are undertaken to ensure that the Board is in a position to add value to the business through the strong alignment of composition and skills to strategy
- The Board committees are competent to deal with the Company's current and emerging risks and opportunities and effectively discharge their duties

### STAKEHOLDER RELATIONSHIPS

- Material stakeholders have been identified and formal mechanisms established to balance their needs, interests and expectations in the best interests of the Company over time
- Engagement strategies have been formulated to enable the Board to understand and respond to stakeholders' legitimate concerns

### GOVERNANCE FUNCTIONAL AREAS

- The governance of risk involves achieving an appropriate balance between realising strategic opportunities for value creation while minimising adverse impacts
- Technology and information are governed in a manner which supports the organisation in setting and achieving its strategic objectives
- The governance of remuneration is linked to the achievement of strategic objectives and positive outcomes across the combined context of the economy, society and environment in which the Company operates
- Combined assurance continues to evolve and further enhance alignment from an enterprise risk management perspective

# Statement of compliance

The Board subscribes to full compliance with applicable laws and regulations in the jurisdictions within which it operates. During 2016, with the exception of non-compliance with paragraph 3.65 of the JSE Listings Requirements in relation to the late disclosure of dealings in securities by a director of the Company, the Company was fully compliant with the requirements of the Companies Act, No 71 of 2008 (Companies Act), the Companies Act Regulations (Regulations) and the JSE Listings Requirements.

The annual REIT Compliance Declaration and the annual compliance certificate confirming the Company's compliance with the JSE Listings Requirements have been completed and will be submitted to the JSE in terms of the listings requirements.

# King Code

We remain committed to the principles of King III and are mindful of the changes that King IV will bring about in our organisation. While we are preparing for the integration of the King IV recommendations, during the 2016 year, we continued to apply the King III recommendations as outlined in the King Code and materially entrenched the majority of these recommendations into the boards internal controls, policies, terms of reference and overall procedures. A checklist setting out how the company has applied the principles of King III is available on our website, **www.redefine.co.za**. The Group believes that it has complied fully with King III, while the chairman is not an independent non-executive (principle 2.16), a lead independent director has been appointed.

# Leadership roles and functions

The Board is led by an executive chairman and therefore, in compliance with regulation 3.84(c) of the Listings Requirements and as recommended by the King Code, a lead independent director was appointed in 2014. The role of the chairman is distinct and separate from that of the chief executive officer (CEO) and there is a clear division of responsibilities. While the Board delegates authority to the CEO in accordance with the terms of the Board charter, the separation of responsibilities is designed to ensure that no single person or group has unfettered decision-making powers and that appropriate balances of power and authority exist on the Board.

| LEADERSHIP ROLE | FUNCTION |
|---|---|
| EXECUTIVE CHAIRMAN | Responsible for leading the Board and for ensuring the integrity and effectiveness of the Board and its committees. Ensures high standards of corporate governance and ethical behaviour. |
| LEAD INDEPENDENT DIRECTOR | Maintains the effectiveness of the Board by providing leadership and advice when the executive chairman has a conflict of interest, without detracting from or undermining his authority.<br>Provides support to the executive chairman, is available as a trusted intermediary for the other directors as necessary, and chairs a meeting of the non-executive directors at which the performance of the executive chairman is considered. |
| CHIEF EXECUTIVE OFFICER | Responsible for the effective management and running of the Company's business in terms of the strategies and objectives approved by the Board.<br>Chairs the Company's executive committee, leads and motivates the management team and ensures that the Board receives accurate, timely and clear information about the Company's performance. |

# Transformation and changes to the Board

Bernie Nackan, Günter Steffens and Michael Watters are due to retire by rotation as non-executive directors of the Company at the annual general meeting on 9 February 2017. To allow for, *inter alia*, additional transformation at Board level, Günter Steffens and Michael Watters have decided not to make themselves available for re-election and the vacancy created by their retirement will be filled by the election of Bridgitte Mathews as an independent non-executive director of the Board.

In addition, and taking into consideration the King Code's recommendation of ensuring that the Board comprises a majority of non-executive directors, of whom the majority should be independent, David Rice and Mike Ruttell will withdraw as executive directors of the Company with effect from 9 February 2017. It is noted that both directors will remain standing invitees to Board meetings. The Board believes that these changes will address its composition with the overarching aim of enhancing its overall effectiveness while giving due attention to diversity considerations appropriate to achieving this aim.

**For more information on our governance practices, including details of governing structures, governance functional areas and Board and committee mandates and attendance of meetings and remuneration report, refer to our CGR and AGM.**

# SUMMARISED CORPORATE GOVERNANCE REVIEW (CONTINUED)

## Board composition

The Company has a unitary Board structure consisting of executive and non-executive directors. Post the amendments referred to above, the Board will consist of 10 directors, seven of whom will be considered to be independent. Similarly, the amendments to be made to the Board have provided an opportunity to refresh the composition of the committees and as of 9 February 2017, three of our Board committees will be chaired by black, female, independent non-executive directors. Brief biographies of all directors outlining their skills and qualifications can be found in the AGM.

**COMPOSITION PRE-CHANGE** | **COMPOSITION POST-CHANGE**


## Meeting schedule

The Board meets at least four times a year and additional meetings are arranged as and when circumstances dictate. Each meeting is conducted in accordance with a formal and structured agenda and Board papers are circulated timeously to ensure that directors are well informed and that debate and decisions are constructive and robust.

During 2016, the Board met on five occasions, one of which was a strategy and risk workshop.

## How the Board spent its time

| | |
|---|---|
| Financial performance | 25% |
| Operational performance | 25% |
| Strategy formulation and monitoring | 20% |
| Governance and risk management | 20% |
| Other | 10% |

**DURING THE YEAR, THE BOARD FOCUSED ON:**

| | | |
|---|---|---|
| **INFORMING AND APPROVING** the Company's strategy for the forthcoming financial year | **ENSURING** that the Company played its role as a responsible corporate citizen | **ENHANCING** governance structures, frameworks, policies, processes and procedures in line with best practice and regulation |
| **ENSURING** the implementation of appropriate remuneration policies and practices | **OVERSEEING** key performance and risk areas and ensuring effective governance, risk and capital management processes | **APPROVING** the annual and interim financial statements and assessed the Company as a going concern |
| **PROVIDING** effective and ethical leadership | **OVERSEEING** performance against targets and objectives | **ENSURING** balanced and understandable communication with stakeholders |

## Board appointments and succession planning

The Board has a formal and transparent process and policy in place for appointing directors. While the Board as a whole considers appointments, the authority to oversee nominations and carry out interview processes has been delegated to the nominations committee. In addition to experience experience, availability and likely fit, we also consider the integrity, as well as other directorships and commitments to ensure that a potential director will have sufficient time to discharge their role effectively. Furthermore, the nominations committee also considers race and gender diversity in their assessment.

## Financial director

In accordance with the JSE Listings Requirements, the committee has considered and satisfied itself that Leon Kok, financial director, has appropriate expertise and experience to meet the responsibilities of his appointed position. The committee has also considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function.

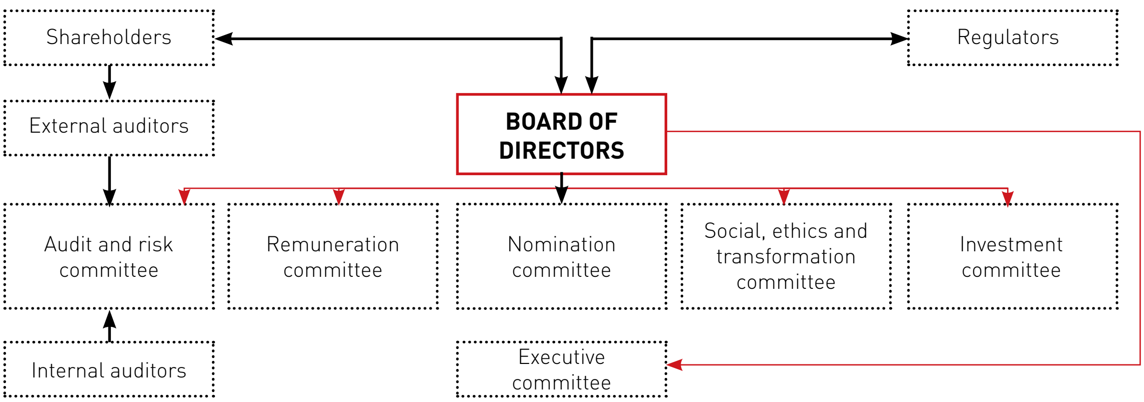
## Company secretary

In compliance with paragraph 3.84(j) of the Listings Requirements, an annual evaluation of the company secretary, Bronwyn Baker, was carried out by the nomination committee, on behalf of the Board. The results of the evaluation confirmed that she demonstrates the requisite level of knowledge and experience to carry out her duties.

The Board is also comfortable that she maintains an arm's length relationship with individual directors and confirms that she is neither a director nor a public officer of the Company or any of its subsidiaries.

## Governance framework and delegation of authority

The Company's governance structure provides for delegation of authority while enabling the Board to retain effective control. The Board delegates authority to established Board committees as well as to the CEO with clearly defined mandates.



## Audit and risk committee

**COMPOSITION**

**MEMBERS THROUGHOUT THE YEAR**

D Nathan (chairman)
B Nackan
G Steffens

**OTHER REGULAR ATTENDEES**

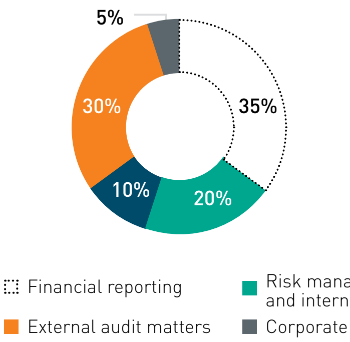
Executive chairman
Financial director
Head of finance
External auditors
Chief executive officer
Chief operating officer
Head of internal audit

**MEETING SCHEDULE**

During the 2016 financial year, the committee met on seven occasions, including an information technology workshop and two ad hoc committee meetings in relation to the external audit tender.

Meetings are planned in line with the Company's financial reporting cycle.

**2016 FOCUS AREAS**




**COMMITTEE FOCUS FOR 2017**

While the committee will continue to operate within its terms of reference and ensure that the meetings address all regular matters reserved for its consideration, the following additional key activities are expected to require the committee's attention during 2017:

→ Combined assurance
→ IT governance and business continuity
→ Risk and opportunity management

## Remuneration committee

**COMPOSITION**

**MEMBERS THROUGHOUT THE YEAR**

G Steffens (chairman)
H Mehta
B Nackan

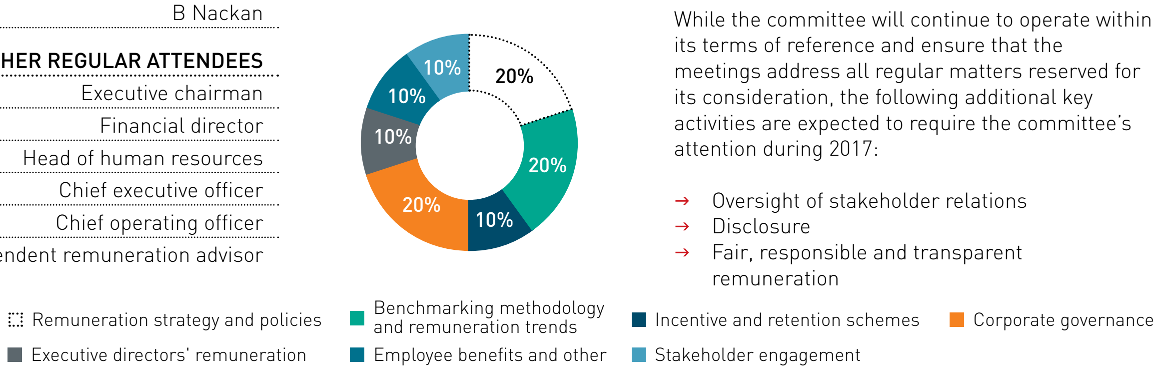
**OTHER REGULAR ATTENDEES**

Executive chairman
Financial director
Head of human resources
Chief executive officer
Chief operating officer
Independent remuneration advisor

**MEETING SCHEDULE**

During the 2016 financial year, the committee met on five occasions, including an ad hoc committee meeting in relation to the broad-based share incentive and restricted share schemes.

**2016 FOCUS AREAS**




**COMMITTEE FOCUS FOR 2017**

While the committee will continue to operate within its terms of reference and ensure that the meetings address all regular matters reserved for its consideration, the following additional key activities are expected to require the committee's attention during 2017:

→ Oversight of stakeholder relations
→ Disclosure
→ Fair, responsible and transparent remuneration

The Board aims to link the governance of remuneration with the achievement of strategic objectives and positive outcomes across the combined context of the economy, society and environment in which the Company operates. It believes that remuneration must be fair, reasonable and transparent. During the year under review, the mandated remuneration committee has devoted additional effort to initiate effective shareholder dialogue on remuneration and has paid close attention to the design, implementation and disclosure of remuneration policies and practices, particularly as they relate to the members of the Board and executive management. The Company's remuneration report can be found in the AGM.

## Sponsor

The Company fully understands the role and responsibilities of the sponsor as stipulated in the Listings Requirements and has cultivated a good working relationship with its sponsor, Java Capital. The Company is satisfied that the sponsor has executed its mandate with due care and diligence for the year under review.

# Social, ethics and transformation committee

## COMPOSITION

**MEMBERS THROUGHOUT THE YEAR**

D Nathan (chairman)
L Kok
N Langa-Royds
M Ruttell

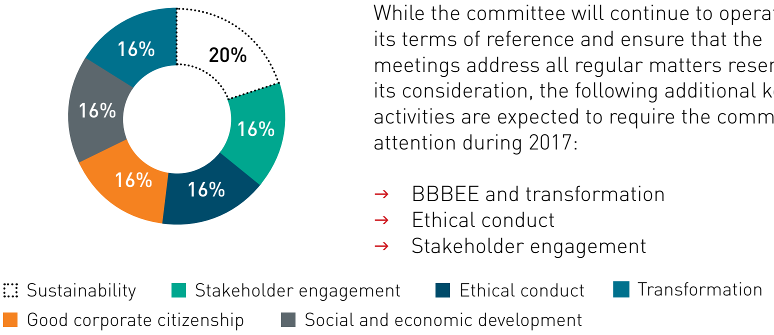
**OTHER REGULAR ATTENDEES**

Head of human resources
Head of marketing and communications
Retail asset manager
Head of utilities

## MEETING SCHEDULE

During the 2016 financial year, the committee met on four occasions.

## 2016 FOCUS AREAS




## COMMITTEE FOCUS FOR 2017

While the committee will continue to operate within its terms of reference and ensure that the meetings address all regular matters reserved for its consideration, the following additional key activities are expected to require the committee's attention during 2017:

- BBBEE and transformation
- Ethical conduct
- Stakeholder engagement

# Nomination committee

## COMPOSITION

**MEMBERS THROUGHOUT THE YEAR**

B Nackan (chairman)
H Mehta
G Steffens

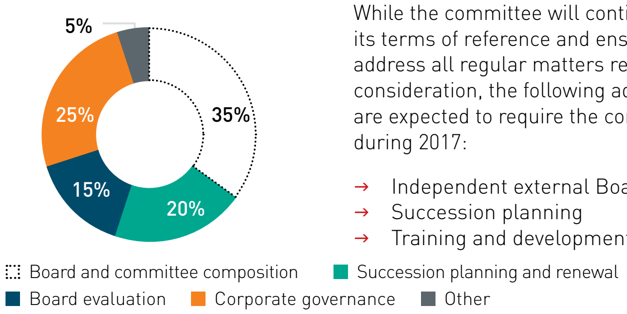
**OTHER REGULAR ATTENDEES**

Executive chairman
Financial director
Head of human resources
Independent external advisor
Chief executive officer
Chief operating officer

## MEETING SCHEDULE

During the 2016 financial year, the committee met on four occasions.

## 2016 FOCUS AREAS




## COMMITTEE FOCUS FOR 2017

While the committee will continue to operate within its terms of reference and ensure that the meetings address all regular matters reserved for its consideration, the following additional key activities are expected to require the committee's attention during 2017:

- Independent external Board evaluation process
- Succession planning
- Training and development

# Investment committee

## COMPOSITION

**MEMBERS THROUGHOUT THE YEAR**

B Nackan (chairman)
A König
D Rice
M Wainer

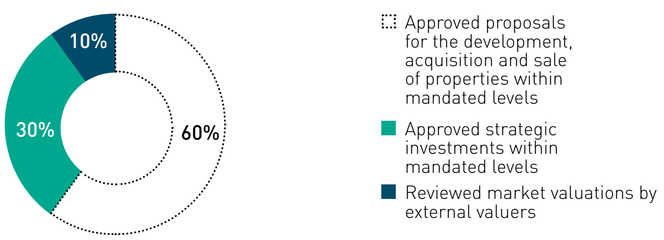
**OTHER REGULAR ATTENDEES**

Head of acquisitions and disposals

## MEETING SCHEDULE

During the 2016 financial year, the committee met on four occasions.

## 2016 FOCUS AREAS



# TO CREATE LONG-TERM VALUE, we need to make strategic choices that develop, enhance and preserve all six capitals


THE TOWERS, WESTERN CAPE

# FINANCIAL CAPITAL

## What financial capital means to Redefine

Our financial capital is the pool of funds that is available to us for deployment and includes debt and equity funding as well as the capital profits retained from the recycling of assets.

We are tasked with investing the capital received from our equity and debt funders responsibly in order to return financial capital to them in the form of sustainable distributions and interest payments at responsible levels of risk.

## Creating value

How we manage and utilise our financial capital is fundamental to our ability to create sustained value for our stakeholders, particularly the financial stakeholders. Our ability to access cost-effective funding either through equity or debt is a key determinant of our commercial success. Our debt metrics have been further strengthened, and the Group's ability to manage its total cost of capital makes a significant contribution to the sustainability and its ability to fund expansion of its distributable income.

## HIGHLIGHTS

Raised **R3.3 billion** in equity

Market capitalisation at **R58.1 billion**

Interest on **82.1%** of debt fixed

**LTV at 38.5%** despite significant highly geared international investment

Interest cover ratio improved to **4.3 times**

| CHALLENGES | STRATEGIC RESPONSE |
|---|---|
| **Downgrading of the South African sovereign credit rating will affect our ability to raise capital and funding, and increase the costs thereof** | Liquidity has improved in debt capital markets which presents the opportunity to raise unsecured debt at competitive pricing levels. |
| **Rising interest rates place pressure on maintaining our distributable income, negatively affecting our property valuations and the ability to raise further funding** | Broaden funding sources following successful offshore placement of hard currency bonds.<br><br>Exploit low interest rate environment in Europe. |

## Reflecting on 2016

In our 2015 integrated report, we reported on certain priorities for our 2016 financial year.

| THIS IS HOW WE DID | Our performance | More information |
|---|---|---|
| Diversify funding sources to manage credit risk | Still in progress | Page 54 |
| Reduce level of secured debt and assets to ensure funding flexibility | Achieved target | Page 55 |
| Maintain credit rating to sustain investment profile | Achieved target | Page 55 |
| Proactive capital management to provide a platform that sustains value creation | Achieved target | Page 53 |
| Improve liquidity to ensure long-term sustainability | Achieved target | Page 53 |

**KEY:** Achieved target · Still in progress · Did not achieve target

## Priorities for 2017

| | |
|---|---|
| **Target the lowest available cost** of fixed and variable debt funding | |
| **Optimise funding** maturity profiles | **Broaden quality-rated funding sources** |
| **Maintain LTV** at or below 40% | **Improve investment profile** to maintain current forward yield |
| **Optimise funding and tax structures** | **Ensure visibility of income** through hedging |
| **Maintain strong credit metrics** | **Protect against interest rate fluctuations** |
| **Optimise working capital** | **Maintain liquidity** |

## How we source and use our financial capital

| R'million | 2016 | 2015 |
|---|---|---|
| Stated capital | **36 526** | 33 210 |
| Interest-bearing borrowings | **28 190** | 23 582 |
| Funding structure | **64 716** | 56 792 |
| **FUNDING RAISED DURING THE YEAR** | | |
| **Issue of shares** | | |
| For cash | **1 549** | 3 042 |
| Dividend reinvestment plan | **1 797** | 1 616 |
| For assets | **-** | 6 522 |
| **TOTAL EQUITY RAISED** | **3 316** | 11 180 |
| **INTEREST-BEARING BORROWINGS RAISED** | | |
| **Bank funding** | **4 695** | 3612 |
| Secured | **(480)** | 2 501 |
| Unsecured | **5 175** | 1 111 |
| **Debt capital market funding** | **(87)** | 213 |
| Bonds | **25** | 200 |
| Commercial paper | **(112)** | 13 |
| **Total funding raised** | **7 924** | **15 005** |

## Managing our liquidity profile to meet future cash requirements and debt maturities

Liquidity risk is managed through proactive renegotiation of short-term debt maturities, optimisation of maturity profiles and ensuring there is a funding plan in place for each asset acquisition or disposal. Redefine maintains a healthy level of undrawn, committed revolving bank facilities to meet immediate funding needs and cover short-term debt maturities. Revolving bank facilities reduce the need to hold unproductive cash resources and are cost-effective as the cash earns interest at the borrowing rate versus the cash deposit rate. Redefine's liquidity requirements are managed by monitoring forecast and actual cash flows and renegotiating and extending debt facilities coming up for renewal to ensure that no more than 25% of the Group's financial liabilities mature in any given year.

### UNDRAWN COMMITTED FACILITIES

| 2016 | 2015 | 2014 |
|---|---|---|
| **R3.4 billion** | **R2.9 billion** | **R2.0 billion** |

## Extending our maturity profile

Redefine manages its maturity profile by aiming to spread the repayment dates to ensure that no more than 25% of the Group's interest-bearing borrowings mature in any given calendar year. Redefine proactively reviews its facilities and extends, restructures (for better terms) and renews upcoming maturities. Redefine actively monitors the financial markets, which assists in the fast and efficient execution of a funding plan for any new acquisition opportunities that may arise.

Maturities between each of the sources of finance are spread in order to mitigate the risk of refinancing. As a result, at 31 August 2016, Redefine had R7.0 billion in the short-term portion of interest-bearing borrowings. This included the €250 million (R4.0 billion) 12-month bridge facility raised for the purchase of the EPP transaction. Shortly after its financial year, Redefine successfully placed secured bonds with a principal amount of €150 million (R2.4 billion) bearing a coupon of 1.5%, exchangeable in five years into ordinary shares of Redefine International PLC, the proceeds of which were used to partially refinance the bridge facility. An additional R2.6 billion has been refinanced shortly after year end.

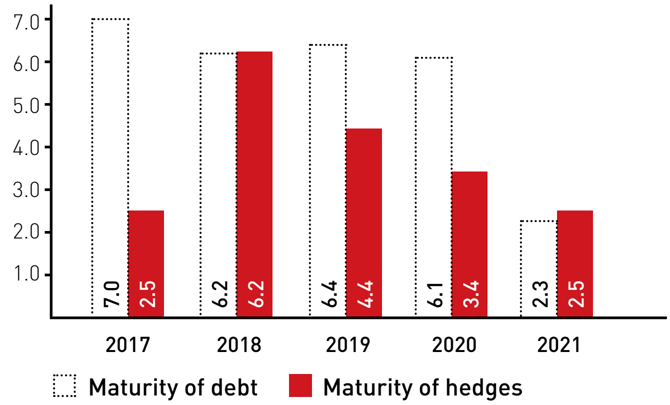
**AVERAGE TERM OF DEBT**

2016
**2.5 years**

2015
**3.3 years**

2014
**3.2 years**

**MATURITY PROFILE OF DEBT AND HEDGES (R'BILLION)**




## Maintaining adequate protection against interest rate movements

Volatile interest rate movements result in increased borrowing costs, reducing distributable income. International and local economic conditions impact on the cost of Redefine's debt through movements in bond yields and central bank monetary policy. To manage this risk, Redefine fixes the cost of variable South African interest rate borrowings by entering into derivative instruments (interest rate swaps and caps). The Board has set a hedging target of 75% of South African interest-bearing borrowings to be fixed for as long as possible. To take advantage of the lower interest rate environment internationally, Redefine prefers to fix where possible, its interest on international borrowings.

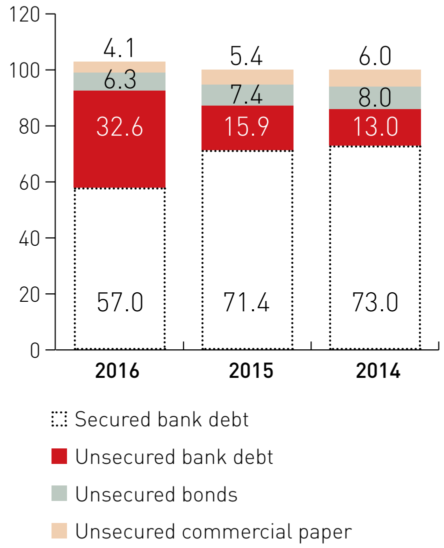
**% OF SOUTH AFRICAN DEBT HEDGED**

| 2016 | 2015 | 2014 |
|---|---|---|
| **82.1%** | **81.3%** | **78.0%** |

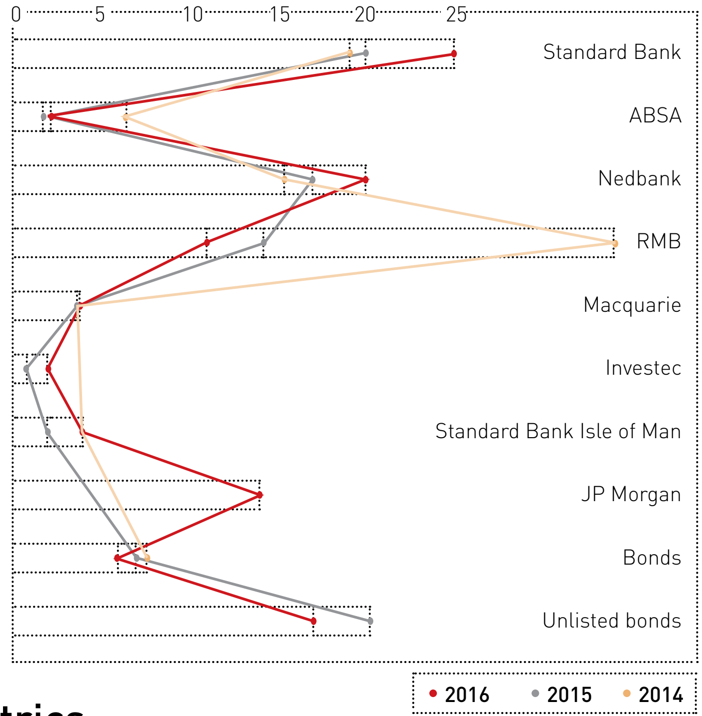
## Diversifying our funding sources

Concentration risk may arise from a credit crisis, the introduction of Basel III requirements or prudential limits, which are imposed by debt providers. Redefine limits the concentration risk by diversifying the sources of funding among financial institutions (the banks) and the debt capital market. The size and the quality of our unsecured assets, as well as the equity headroom on unencumbered assets, allows us to arrange unsecured debt. Management's target is to source approximately 20% of its total debt funding from the debt capital market in order to avoid concentration risk among the major financial institutions.

### SECURED VERSUS UNSECURED SOURCES OF DEBT (%)




### SOURCES OF DEBT (%)




## Maintaining strong credit metrics

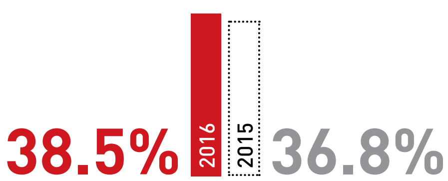
We strive to maintain an average LTV target range of 35% to 40% believing this is the optimal level of gearing over the long term. On 11 May 2016, Moody's repositioned the national scale rating. As a result of the recalibration, Redefine's national credit rating has improved and has been adjusted to the following:

| | |
|---|---|
| GLOBAL LONG-TERM BAA3 | GLOBAL SHORT-TERM P-3 |
| NATIONAL LONG-TERM AA2.ZA | NATIONAL SHORT-TERM P-1.ZA |

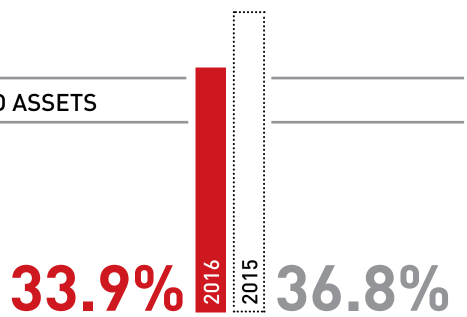
The rating was refreshed during July 2016 and remains unchanged.

Redefine has encumbered R38.8 billion (2015: R37.4 billion) of its property assets against secured borrowings of R16.4 billion (2015: R16.8 billion). For unsecured lenders (currently R11.8 billion), R56.3 billion of property assets are available (the remaining unsecured property assets of R33.9 billion plus the secured assets' funding headroom of R22.4 billion) to support their exposure. Redefine is looking to increase its level of unsecured borrowings by leveraging this situation, which has the added benefit of providing the unsecured lender with a diversified asset pool.

### LTV




### UNSECURED ASSETS



# MANUFACTURED CAPITAL

## What manufactured capital means to Redefine

Our manufactured capital is our diversified property asset platform comprising local and international property investments which effectively represents the deployment of financial capital.

We are tasked with allocating our manufactured capital to ensure the highest and best use to sustain long-term value creation.

## Creating value

Through the disciplined application of our business model – the active management of our property asset platform, including acquisitions, developments and disposals – we optimise our manufactured capital, enabling us to provide sustained income and capital growth for all our stakeholders.

## HIGHLIGHTS

Reduced vacancy to **4.9% from 5.4%** in a tough trading environment

Expansion into under-represented sectors through developable bulk of **1.5 million m$^2$**

Completed developments totalling **R2.2 billion**

Made an offer to acquire the entire issued share capital of the **Pivotal Fund**

Expanded geographic footprint into Poland through a **44.9% equity stake** in EPP

Disposed of a significant portion of the government-tenanted office portfolio to the **Delta Property Fund**

| CHALLENGES | STRATEGIC RESPONSES |
|---|---|
| **South Africa's muted economic growth profile has culminated in stagnation** | Limited national economic growth challenges us to focus inward, ensuring a sharper focus on operational efficiency and effectively managing relationships. We have also focused on improving the quality of our assets.<br><br>We have widened our international footprint through offshore, yield-accretive acquisitions which, given the uncertain domestic funding and volatile currency situation, have been funded in the same currency as the country of investment, creating a natural hedge. |
| **Low growth in international markets** | Invest in growth markets where there is opportunity to grow through acquisition, development and extension to existing assets. |
| **Inefficiencies at municipalities affect property management and development** | We build and maintain strong relationships with key town planning consultants and council officials in order to understand and anticipate the legislative hurdles to developments and reduce inefficiencies. |
| **Continued rising utility costs** | We continue to explore means to enhance the operational efficiency of our buildings through green technologies and preventative maintenance programmes. |
| **Increased competition for property assets** | Explore investing in new markets and alternative asset classes. |

# Reflecting on 2016

In our 2015 integrated report, we reported on certain priorities for our 2016 financial year.

| THIS IS HOW WE DID | Our performance | More information |
|---|---|---|
| Diversify exposure to new asset classes outside of the traditional property sectors | Achieved target | Page 76 |
| Strong focus on enhancing the value of core assets | Still in progress/ongoing | Page 61 - 62 |
| Refine long-term master plans for the development of key assets | Achieved target | Page 1 - 62 |
| Deal with the electricity supply crisis | Achieved target | Page 96 |
| Alternative uses to be exhausted before disposal of non-core assets | Still in progress/ongoing | Page 61, 76 |
| Expand into markets offering growth and secure income streams | Still in progress/ongoing | Page 77 |
| Let vacant space | Still in progress/ongoing | Page 66, 70, 73 |
| Manage tenants' credit and concentration risks | Still in progress/ongoing | Page 18, 68 |
| Continue to maintain margins and maximise cash flow | Still in progress/ongoing | Page 40 |
| Maintain a strong focus on tenant retention and relationships | Still in progress/ongoing | Page 60 |

KEY: Achieved target | Still in progress/ongoing | Did not achieve target

# Priorities for 2017

| | |
|---|---|
| **Expand foreign income and capital growth** opportunities at low risk | |
| **Optimise asset allocation** between defensive and secondary properties | |
| **Explore investments** outside traditional sectors | Limit **speculative development to a maximum 5%** of portfolio value |
| **Maintain a long-term strategy** per asset | **Exploit non-GLA income** opportunities |
| Recycle capital to sustain **future growth** | Extend lease expiry profile and **reduce vacancies** |

CENTURION MALL, GAUTENG

# Local property portfolio

## DELIVERING ON OUR KEY BUSINESS ACTIVITIES FOR OUR LOCAL PORTFOLIO

Despite stiff headwinds facing South Africa's economy, as well as political uncertainty, our local portfolio has performed satisfactorily, with the ongoing pressure on the office portfolio negatively impacting overall portfolio growth on a like-for-like basis. In these challenging times, a sharper focus on operational efficiency and managing relationships with all stakeholders remains key.

Realigning staff structures to cope with additional demands was also top of mind during the year in order to ensure we are managing our properties with a specialist focus as effectively and as efficiently as possible.

During the year, the bulk of our local focus has been on protecting, expanding and improving our existing properties rather than on acquisitions. While our number of properties decreased from 333 in 2015 to 312 in 2016, **the average property value increased from R154 million in 2015 to R164 million in 2016.**

| | 2016 | | | | |
|---|---|---|---|---|---|
| | OFFICE | RETAIL | INDUSTRIAL | SPECIALISED | TOTAL |
| Number of properties | 119 | 82 | 109 | 2 | 312 |
| Total GLA (m$^2$ million) | 1.3 | 1.3 | 1.9 | - | 4.5 |
| Vacancy (%) | 8.7 | 3.6 | 3.4 | - | 4.9 |
| Asset value (R'billion) | 18.7 | 21.5 | 11 | 0.4 | 51.6 |
| Average property value (R'million) | 157.0 | 262.5 | 100.5 | 205.2 | 164.3 |
| Valuation per m$^2$ (excluding undeveloped bulk) (R'000) | 14.1 | 16.6 | 5.6 | 15.2 | 11.2 |
| Value as % of portfolio | 36.3 | 41.7 | 21.2 | 0.8 | 100.0 |
| Average gross rent per m$^2$ (R) | 121.8 | 144.4 | 42.3 | 147.0 | 94.2 |
| Weighted average retention rate by GLA (%) | 89.4 | 90.9 | 93.7 | 100.0 | 91.8 |
| Weighted average renewal rental growth by GLA (%) | 3.4 | 6.5 | 3.5 | - | 4.5 |
| Weighted average portfolio escalation by GLA (%) | 7.6 | 7.5 | 7.2 | 8.4 | 7.8 |
| Weighted average lease period by GMR (years) | 3.3 | 3.1 | 5.7 | 4.8 | 3.8 |

# WE WORK CLOSELY WITH OUR TENANTS TO HELP ACHIEVE THEIR BUSINESS OBJECTIVES while, at the same time, increasing the value of our portfolio

| 2015 | | | | |
|---|---|---|---|---|
| OFFICE | RETAIL | INDUSTRIAL | SPECIALISED | TOTAL |
| 139 | 86 | 106 | 2 | 333 |
| 1.5 | 1.3 | 2.0 | - | 4.8 |
| 8.5 | 4.3 | 3.8 | - | 5.4 |
| 19.5 | 20.8 | 10.5 | 0.4 | 51.2 |
| 141.0 | 242.1 | 100.0 | 197.5 | 154.0 |
| 13.4 | 15.7 | 5.4 | 15.6 | 10.8 |
| 38.0 | 40.7 | 20.5 | 0.8 | 100.0 |
| 115.2 | 140.2 | 42.3 | 139.3 | 91.7 |
| 91.3 | 79.7 | 89.1 | 100.0 | 86.7 |
| (8.0) | 4.0 | (5.0) | - | (3.0) |
| 7.4 | 7.3 | 7.8 | - | 7.5 |
| 4.9 | 6.3 | 7.7 | - | 6.0 |

DAVID RICE – CHIEF OPERATING OFFICER

## Delivering value

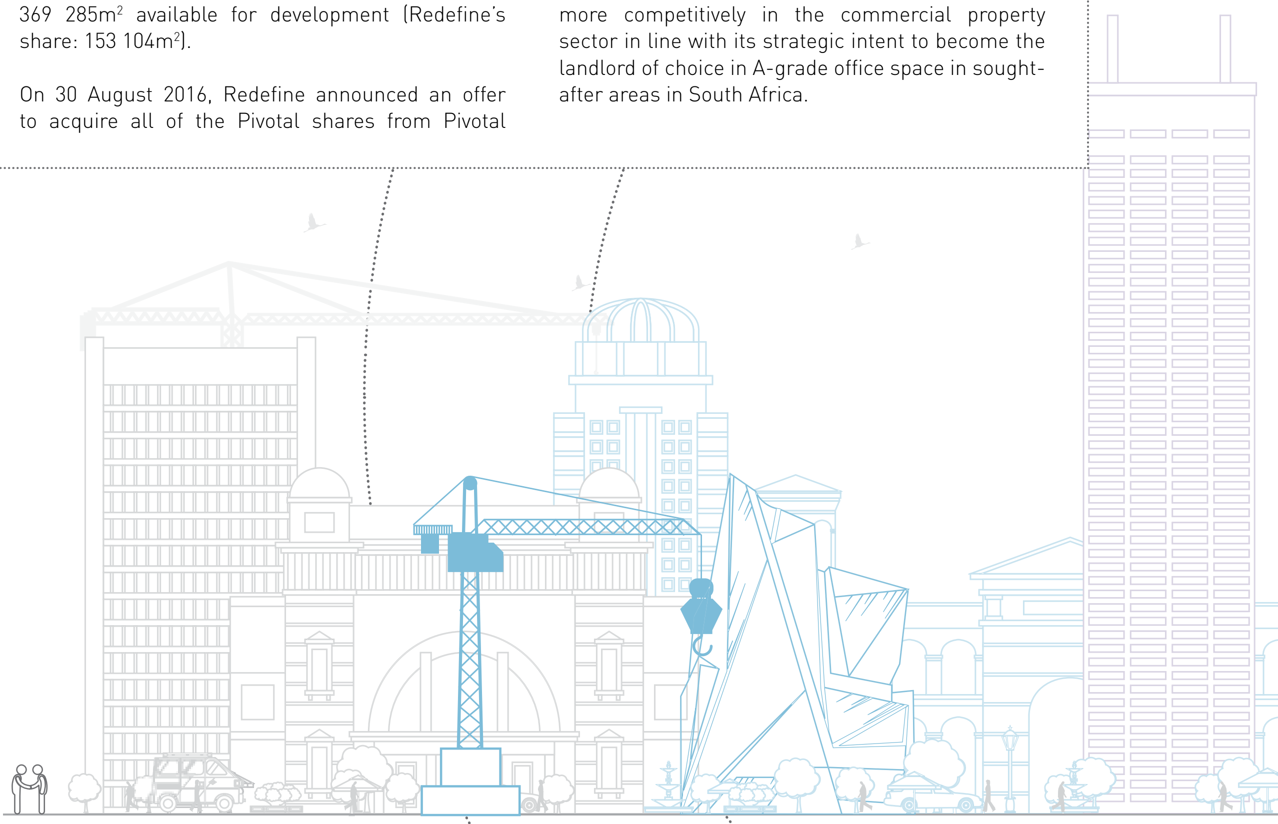
Our focus is on delivering sustained value to our stakeholders through the execution of our **primary business activities of acquiring, disposing, developing and managing properties.**

### BUSINESS ACTIVITIES SUPPORTING VALUE CREATION

#### ACQUIRING

During 2016, Redefine acquired and transferred four properties with a GLA of 21 547m² for an aggregate consideration of R228 million, at an initial yield of 9.4%. We also acquired three development properties for R286 million. The vacant land has an area of 369 285m² available for development (Redefine's share: 153 104m²).

On 30 August 2016, Redefine announced an offer to acquire all of the Pivotal shares from Pivotal shareholders by scheme of arrangement. Following implementation of the scheme, Pivotal shareholders will receive approximately 138.54 Redefine shares and 9.38 EPP shares for every 100 Pivotal shares held. The Pivotal acquisition is in line with Redefine's strategy to diversify, grow and improve the quality of its portfolio and recycle its capital through disposing of non-core assets and replacing them with prime assets. The acquisition positions Redefine even more competitively in the commercial property sector in line with its strategic intent to become the landlord of choice in A-grade office space in sought-after areas in South Africa.



#### MANAGING

During the year, leases covering 492 126m² were renewed at an average rental increase of 3.3%, with the retention rate of a pleasing 92%. Net arrears improved to R39.8 million from R41.8 million in 2015.

We focused on realigning our staff structures to better execute our strategy. This included enhancing our senior management structure as part of a specialist asset and broader property management strategy.

There are now four distinct functions in operation. They are asset management, acquisitions and disposals, property management, and development management. The asset managers determine the strategy for their portfolios, and acquisitions and disposals, property management and development management serve as support functions in enabling the achievement of those strategies.

## DEVELOPING

In the office portfolio, new buildings are enticing tenants out of older buildings, resulting in consolidation and relocation. New entrants to the marketplace are few and far between due to limited local economic growth and subdued foreign direct investment. In the retail environment, extensions often trigger a full upgrade to remain competitive.

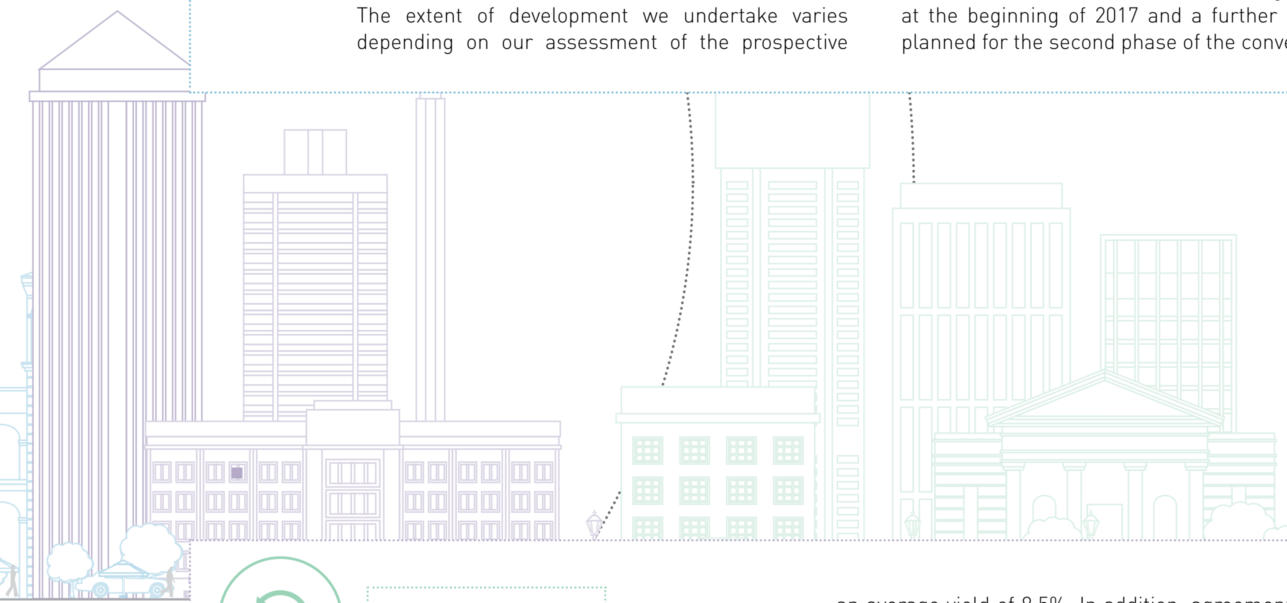
In general, the market is demanding modernised, sustainable buildings. So, in answer to this, Redefine's new commercial buildings aim for a minimum four-star design and build rating with the Green Building Council of South Africa (GBCSA).

We are also proud to say that we have piloted an industrial rating tool in collaboration with GBCSA and we now await the first green star rating in South Africa for a new industrial building.

The extent of development we undertake varies depending on our assessment of the prospective returns. Development returns are considered higher risk than those available from existing income-producing properties and, as a result, we target returns that are commensurately higher. As part of our overall risk management process, we have limited the maximum total speculative development exposure to not more than 5% of our portfolio value. During the year, we completed projects totalling R2.2 billion.

Redevelopment projects in the existing portfolio with an approved value of R1.1 billion, at an average yield of 6.4%, are in progress. New development projects covering 156 876m$^2$ of GLA with an approved value of R2.5 billion, at an average yield of 9.2%, are presently in progress.

Our diversification into student accommodation has gained momentum. The R757 million conversion of Hatfield Square to provide 2 200 beds is currently underway. The conversion of the ABSA campus in Parktown (on the doorstep of Wits) into Yale Village has commenced with 332 beds coming on stream at the beginning of 2017 and a further 1 000 beds planned for the second phase of the conversion.



## DISPOSING

On a continuous basis, each property is critically evaluated and assessed in terms of our investment criteria.

During 2016, we successfully recycled capital to part-fund development as well as new acquisitions, and our recycling of secondary assets exceeded acquisitions.

Redefine disposed of 16 properties with a GLA of 177 189m$^2$, which did not meet its investment strategy, to various buyers for an aggregate consideration of R1.4 billion, at an average yield of 8.5%. In addition, agreements, subject to the usual conditions precedent, were concluded for the disposal of properties for an aggregate consideration of R431.5 million, with a GLA of 82 067 m$^2$ at an average yield of 7.2%.

In line with its strategy to dispose of its government - tenanted portfolio, Redefine concluded an agreement with Delta to dispose of 15 office properties with a GLA of 191 567m$^2$ at an average yield of 16.4% for R1.3 billion in exchange for 162 043 079 Delta shares. The effective date of the transaction was 1 April 2016. Redefine will dispose of the balance of its government-tenanted portfolio on a deal-by-deal basis.

## Developments

GAUTENG | KWAZULU-NATAL | WESTERN CAPE

### NEW DEVELOPMENTS IN PROGRESS

| | |
|---|---|
| **INDUSTRIAL** | |
| Brackengate infrastructure phase 1 | R334 million |
| 34 Wrench Road | R194 million |
| Midway Park | R109 million |
| Golf Air Park III | R79 million |
| S & J infrastructure phase 1 | R66 million |
| **OFFICE** | |
| Rosebank Link | R661 million |
| Rosebank Towers | R315 million |
| **STUDENT ACCOMMODATION** | |
| Hatfield Square | R757 million |

### NEW DEVELOPMENTS COMPLETED

| | |
|---|---|
| **INDUSTRIAL** | |
| Ushukela Industrial Park | R190 million |
| **OFFICE** | |
| 90 Rivonia Road | R980 million |

### REDEVELOPMENTS COMPLETED

| | |
|---|---|
| **RETAIL** | |
| Centurion Mall phase 1 | R294 million |
| Southcoast Mall phase 1 | R130 million |
| Maynard Mall | R20 million |
| **OFFICE** | |
| The Towers Foreshore | R533 million |
| Essex Gardens | R17 million |
| **INDUSTRIAL** | |
| 18 Halifax Road | R17 million |

### REDEVELOPMENTS IN PROGRESS

| | |
|---|---|
| **RETAIL** | |
| Kenilworth Shopping Centre | R280 million |
| East Rand Mall | R233 million |
| Centurion Mall phase 2 | R200 million |
| Benmore Gardens Shopping Centre phase 2 | R76 million |
| Stoneridge Centre phase 1 | R41 million |
| Southcoast Mall phase 2 | R40 million |
| Sammy Marks Square | R8 million |
| **OFFICE** | |
| Sandhurst Office Park | R79 million |
| Rosebank Corner | R20 million |
| **STUDENT ACCOMMODATION** | |
| Yale Village | R77 million |

We believe 90 Rivonia Road added another quality asset for Redefine and will become one of SANDTON'S FLAGSHIP BUILDINGS

MIKE RUTTELL – EXECUTIVE DIRECTOR: DEVELOPMENT

# Our top 10 properties by value

## CENTURION MALL

| | |
|---|---|
| Location | Pretoria, Gauteng |
| Sector | Retail |
| GLA ($m^2$) | 120 202 |
| Property valuation (R'million) | 4 060 |
| Occupancy | 92%* |
| Average footcount per month | 1.2 million |
| Major anchor tenants | Checkers Hyper, Woolworths, Edgars, Pick n Pay, Truworths, Foschini and Mr Price |
| Redevelopment cost (R'million) | 494 |

** due to development activity*


## BLUE ROUTE MALL

| | |
|---|---|
| Location | Tokai, Western Cape |
| Sector | Retail |
| GLA ($m^2$) | 55 496 |
| Property valuation (R'million) | 1 326 |
| Occupancy | 100% |
| Average footcount per month | 0.7 million |
| Major anchor tenants | Checkers, Woolworths, Edgars, Foschini, Truworths and Mr Price |


## EAST RAND MALL

| | |
|---|---|
| Location | Boksburg, Gauteng |
| Sector | Retail |
| GLA ($m^2$) | 31 257 |
| Property valuation (R'million) | 1 314 |
| Occupancy | 98% |
| Average footcount per month | 1.0 million |
| Major anchor tenants | Woolworths, Edgars, Truworths, Mr Price and Foschini |
| Redevelopment cost (R'million) | 233 |
| Ownership | 50% |

## Our top 10 properties by value (CONTINUED)


### KENILWORTH CENTRE

| | |
|---|---|
| Location | Claremont, Western Cape |
| Sector | Retail |
| GLA (m²) | 48 575 |
| Property valuation (R'million) | 1 158 |
| Occupancy | 99% |
| Average footcount per month | 0.8 million |
| Major anchor tenants | Pick n Pay, Woolworths, Checkers and Game |
| Development cost (R'million) | 280 |

### BLACK RIVER OFFICE PARK

| | |
|---|---|
| Location | Observatory, Western Cape |
| Sector | Office |
| GLA (m²) | 52 605 |
| Property valuation (R'million) | 1 061 |
| Occupancy | 97% |
| Key tenants | Dimension Data and Times Media Group |


### MATLOSANA MALL

| | |
|---|---|
| Location | Klerksdorp, North West Province |
| Sector | Retail |
| GLA (m²) | 64 968 |
| Property valuation (R'million) | 1 017 |
| Occupancy | 100% |
| Average footcount per month | 0.3 million |
| Major anchor tenants | Pick n Pay, Checkers, Woolworths, Edgars, Truworths, Foschini and Mr Price |

## GOLDEN WALK

| | |
|---|---|
| Location | Germiston, Gauteng |
| Sector | Retail |
| GLA (m²) | 45 129 |
| Property valuation (R'million) | 968 |
| Occupancy | 98% |
| Average footcount per month | 1.3 million |
| Major anchor tenants | Pick n Pay, Shoprite, Woolworths, Edgars and Mr Price |

## THE TOWERS

| | |
|---|---|
| Location | Foreshore, Western Cape |
| Sector | Office |
| GLA (m²) | 62 028 |
| Property valuation (R'million) | 924 |
| Occupancy | 92% |
| Key tenant | Standard Bank |
| Development cost (R'million) | 533 |

## 90 RIVONIA ROAD

| | |
|---|---|
| Location | Sandton, Gauteng |
| Sector | Office |
| GLA (m²) | 39 276 |
| Property valuation (R'million) | 895 |
| Occupancy | 79% |
| Key tenant | Webber Wentzel |
| Development cost (R'million) | 980 |

## N1 CITY MALL

| | |
|---|---|
| Location | Goodwood, Western Cape |
| Sector | Retail |
| GLA (m²) | 37 241 |
| Property valuation (R'million) | 882 |
| Occupancy | 100% |
| Average footcount per month | 0.9 million |
| Major anchor tenants | Checkers, Pick n Pay, Woolworths and Edgars |
| Ownership | 58% |

# Sectoral reviews

## Retail portfolio

### KEY INDICATORS

Retail portfolio value increased from R20.8 billion to R21.5 billion with a GLA of 1.3 million $m^2$ (2015: 1.3 million $m^2$)

Rent to turnover ratios averaged 7.3%

Footcount in our shopping centres has declined by 1% on average, substantially due to development activity

The vacancy rate has decreased to 3.6% (2015: 4.3%) across the portfolio

The tenant retention rate by GLA was 90.9% this year, with an average growth in renewal rentals of 6.5%, a satisfactory result in a tough market

Trading densities grew 5.4% (like-for-like basis) and 7.3%, excluding development properties

| CHALLENGES | OPPORTUNITIES |
|---|---|
| **Increased competition with the risk of overtrading in certain metropolitan nodes** | **We differentiate our assets by:**<br>→ Correcting the tenant mix<br>→ Redeveloping and extending to introduce new tenants<br>→ Developing innovative ways to attract shoppers to our centres<br>→ Changing the focus of centre marketing to drive footcount and dwell time |
| **Shrinking tenant pool due to the difficult operating environment** | We work closely with our tenants to support their businesses and offer insight through analytics. |
| **Consumer spending remained under pressure due to living cost increases, lacklustre wage growth and inadequate job creation, as well as escalating debt** | Focus on tenant mix to ensure our offerings are meeting consumer trends, including the need for price-sensitive products and to take advantage of the spending power in those consumer markets and categories that are showing resilience. |
| **Continuing increase in crimes perpetrated in malls** | Differentiating our malls through increased security measures that do not inhibit the shopping experience is key. These measures include licence plate recognition, well-trained security services and partnering with industry groups such as Consumer Goods Council of South Africa. |

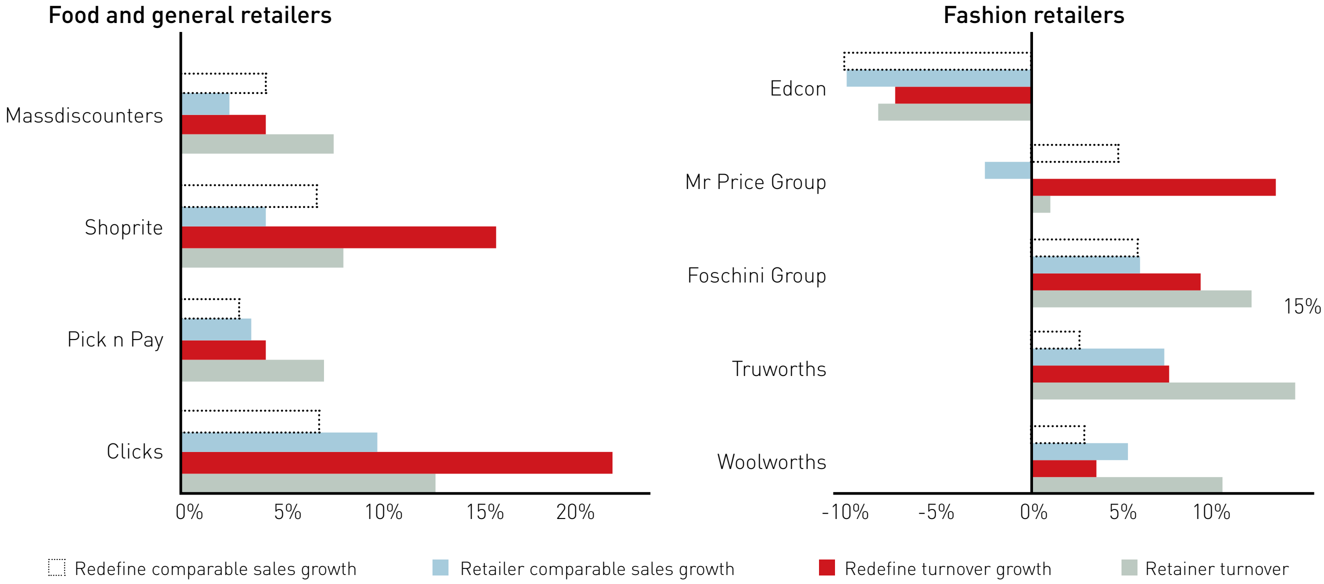
## Overview

**Retail is becoming increasingly competitive – and with ongoing pressure on consumer spending, South Africa's ever-growing retail sector is beginning to show cannibalisation.** Industry data is showing a shift in key metrics that drive the performance of shopping centres. These include growth in trading densities (turnover/$m^2$) and the fact that footfall has slowed in larger malls. Major contributing factors include increased competition due to increased supply in the retail space over the past two to three years, as well as the slowing economy and cannibalisation of retail spend, especially among bigger shopping centres. In this context, retailers have become more circumspect in their expansion plans and err on the side of caution.

Our leasing strategies are increasingly informed by detailed analytics of performance information. Master leasing plans are being put in place at all of the assets with a specific focus on reducing the number of underperforming tenants while driving relevance and differentiation.

Rental affordability in retail is a function of turnover efficiency/trading densities. One of the retail division's key strategic objectives involves maximising densities at our centres thereby driving increased rental levels. We expect continued tension in retail lease negotiations and, strategically, we will need to manage the balance between escalations and vacancies. Cannibalisation naturally leads to higher occupancy costs, which will continue to remain under pressure from increasing administered costs. New global entrants are grappling with the cost to build to European specifications and the returns required by landlords and are insistent on long-term leases with low commencing rentals, CPI-linked escalations and unusual renewal options.

### TURNOVER GROWTH




## Responding strategically

**Competition is on the rise and the way people shop and spend their leisure time continues to evolve.** It has become increasingly clear that while online sales continue to grow, physical space remains at the heart of how people shop. We believe that customers want destinations that provide more than just shopping experiences. Our strategy is to focus on creating outstanding places for modern consumer lifestyles that differentiate us from our competitors.

### KEY FOCUS ON THE RETAIL PORTFOLIO INCLUDED:

#### CONTINUED DEVELOPMENT ACTIVITY TO UPGRADE AND EXPAND TO DEFEND MARKET SHARE AND DIFFERENTIATE OUR EXISTING CENTRES

To retain our customer base and remain relevant, various redevelopments to expand and upgrade major malls totalling R885 million are underway (at a yield of 6.4%), with R425 million in developments completed during the year (at a yield of 7.8%).

The new wing of East Rand Mall (7 200 m$^2$) opened in February 2016, and was officially launched in April. Footfall and initial trading performances are encouraging. Letting of phase 2 at Centurion Mall's redevelopment is progressing well.

Tenants have started to take occupation of phase 1 of the Kenilworth expansion (6 500 m$^2$), which began trading during November. Vacancy at the mall is only 2% despite the disruption caused by the expansion work.

Benmore Gardens Shopping Centre is preparing for phases 2 and 3, which will be completed in late 2017 and early 2018 respectively.

Renovations to the popular Southcoast Mall have been successful in increasing foot traffic and trading densities. The tenant mix has been reconfigured, including a Food Lover's Market being added, together with an upgrade and extension to the Checkers store. Furthermore, enhancements to the centre include the addition of a Dischem store, together with the reconfiguration of space to suit other key tenants.

### A FOCUS ON BETTER MARKETING, ENHANCING TENANT MIX WITHIN OUR RETAIL SPACES BASED ON ANALYTICS AND TENANT MONITORING REMAINS KEY

Based on data analytics, a fashion brand has taken the anchor tenant position in a Redefine mall for the first time at the East Rand Mall.

Measuring the return on marketing spend more strictly and looking at increasing foot traffic and dwell times at the malls remain key. We have introduced internal marketing managers for key centres on a trial basis to support this objective. Furthermore, we are investigating the use of a flat parking fee at certain centres to increase shoppers' dwell times.

We have identified opportunities to improve our non-GLA offerings, which are becoming a major component of our differentiation strategy. (For more information on our non-GLA strategy, please see the case study on page 69 )

We have engaged in heightened tenant monitoring – concerning performance (size optimisation), store roll-outs (improved tenant mix) and potential failures/exits in order to ensure the proactive management of occupancy.

### USE OF TECHNOLOGY TO ENHANCE SHOPPING EXPERIENCES

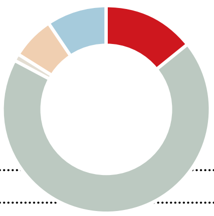
We have piloted the use of an easy, pain free licence plate recognition parking access control system, which is also making the lives of our shoppers more convenient. Shoppers register on a website for seamless entry and exit from the parking garage without tickets, coins or queues, as the system registers the shopper's licence plate. The system also allows for interactive centre information and exclusive rewards, tailored to each individual, to be sent to shoppers' mobile devices. With regard to payment, the system is secure, using industry-standard encryption for payment. The system was piloted at Benmore Gardens shopping centre.

## Outlook retail sector

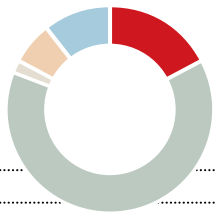
South African mall owners are likely to weather the storm by focusing on portfolio positioning through differentiation, improving tenant mix, innovative leasing strategies and focused cost control. Ongoing demand for space from international retailers will continue to drive occupancy and rental growth in select locations.

On the consumption side, the slower pace of household spending is also expected to continue, given the stagnant job market, softer income growth and rising cost pressures ranging from surging food inflation and higher fuel prices to rising debt service costs. These factors will continue to depress business confidence and have a negative impact on consumer confidence.

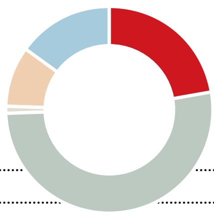
### RETAIL SPLIT BY VALUE



### RETAIL SPLIT BY GMR



### RETAIL SPLIT BY GLA



| | RETAIL SPLIT BY VALUE | RETAIL SPLIT BY GMR | RETAIL SPLIT BY GLA |
|---|---|---|---|
| Community centre | 14% | 17% | 22% |
| Regional shopping centre | 69% | 64% | 52% |
| Small free-standing centre | 1% | 2% | 1% |
| Other | 7% | 7% | 10% |
| Neighbourhood centre | 9% | 10% | 15% |

## Benmore Gardens – Redevelop, Re-tenant, Relaunch

**ACQUIRED AS PART OF THE FOUNTAINHEAD PORTFOLIO, BENMORE GARDENS IS A 25 000M² COMMUNITY CENTRE LOCATED IN THE HEART OF SANDTON.**

When acquired, the mall essentially comprised a floor of offices, half a floor of banks and two levels of retail. It was clear that an opportunity existed to improve the tenant mix, and revamp the mall.

We are currently on site, relocating the four banks to the old office level and introducing a new entrance off an underutilised parking level. We believe this will assist customers with convenient and secure on grade parking for all their banking needs.

In late 2017, a new and enlarged, full-spec Woolworths supermarket will open on the first floor, and the old banking area will be re-tenanted with a number of new niche retail offerings. The ground floor will continue to be anchored by Pick n Pay and Dischem, and will also enjoy a full cosmetic revamp.

## Non-GLA income – Thinking outside the GLA box

**IN A CHALLENGING MACROECONOMIC ENVIRONMENT, CREATIVITY IS KEY. BY CAPITALISING ON ALTERNATIVE REVENUE STREAMS IN THE NON-GLA SPACE, WE ARE ABLE TO GROW OUR REVENUE IN A NEW WAY.**

Non-GLA income refers to the income we can derive from spaces within our portfolio that do not form part of our typical revenue streams. This includes promotional courts, kiosks, pop-up stores, in-mall media, exterior media, digital media, exhibitions and entertainment, fibre, connectivity, wi-fi, rooftop management and innovation.

Alternative media campaigns can add significant value to a site that goes beyond the direct financial revenue generated. Shoppers expect a brand experience in a mall. Furthermore, larger brands are looking for fresh ways to entertain and engage consumers. Creative campaigns can meet this need, adding atmosphere and design appeal to a building. This, in turn, influences customers who may dwell longer, and the advertising, which is ideally located close to point-of-sale, will often prompt shoppers to buy. In-mall campaigns and exhibitions may even attract new visitors to a mall – increasing mall exposure.

Retail is not the only place where opportunities for non-GLA income exist however, as office and industrial buildings also offer excellent space for signage. In addition, we have seen tremendous potential and additional revenue by installing central fibre infrastructure in key office buildings. We are then able to rent our infrastructure to tenants' service providers to use, providing the fibre connectivity our tenants require while maximising our income and streamlining the provision of this essential service.

## Office portfolio

### KEY INDICATORS

Office portfolio value decreased from R19.5 billion to R18.7 billion principally due to disposals of secondary assets, with a GLA of 1.3 million m$^2$

The portfolio is 62% let to A-grade tenants with a balanced tenant mix of 24% to single-tenanted and 76% to multi-tenanted properties

Vacancies were at 8.7%, which is higher than the prior year's 8.5% due to challenging economic conditions and oversupply in the market

Retention rate by GLA was 89.4% this year; however, the cost of retaining tenants is high

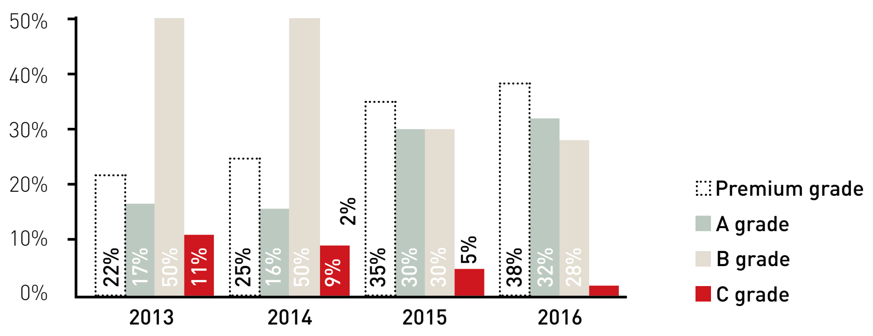
Average growth in renewal rentals of 3.4% was a satisfactory result in a tough market

| CHALLENGES | OPPORTUNITIES |
|---|---|
| **The economic slowdown, coupled with an oversupply of office space continues to place pressure on rentals and returns across the office portfolio** | We continue to improve our product offering to remain competitive and working proactively to incentivise prospective tenants to relocate through innovative deal structures and tenant installation offerings combined with competitive rentals. |
| **We have seen a growing trend towards tenant representation in the market and corporate real estate solutions (CRES), a consulting service to tenants offered by some of the larger brokering houses. This places growing pressure on property owners to remain competitive, driving down asking rentals and increasing the cost of tenant installations** | Stronger relationships with the major CRES representatives which in turn also allow access to a broader range of prospective tenants in the market. This, therefore, is an area we continue to focus on in managing our properties, and we believe that our newly aligned staff structures allow for more robust stakeholder engagement across all areas of the business. |

## Overview

The office property market remains competitive, but the right assets continue to attract interest. Secondary properties however, remain under significant pressure to retain and gain tenants.

### OFFICE SECTOR VALUE PER GRADE



## Responding strategically

Redefine's strategy – to improve the profile of our office portfolio by acquiring modern properties in high-demand nodes, redeveloping and upgrading existing well-located properties – places us in a stronger position than previously. We are now far more invested in areas such as Sandton and Rosebank, for example, and have sold off what we deemed to be secondary properties and will continue to do so. Today, Redefine's exposure to these nodes is approximately R6 billion, with this exposure set to rise with the Pivotal acquisition. Redefine's new home, Rosebank Towers, a 25 000m$^2$ office block, has been fully let with rentals upwards of R185/m$^2$ (net of operating costs), reflecting the interest in the Rosebank node, and supporting our decision to develop the Rosebank Link on spec.

### KEY FOCUS AREAS IN THE OFFICE PORTFOLIO DURING THE YEAR INCLUDED:

#### FOCUSED PROPERTY MANAGEMENT AND NURTURING TENANT RELATIONSHIPS TO SECURE LONG-TERM TENANCIES GOING FORWARD

We are continuously reviewing and optimising our office tenant profile in favour of long-term leases. In addition, in this fiercely competitive market, we have continued our efforts to retain tenants and preserve cash flow, while trying to achieve growth in rentals. During the year, we introduced a leasing campaign, called Space2Spec, to ensure the leasing of selected properties is even more attractive by allowing the new tenant to customise the rental on selected properties.

#### DRIVING DEVELOPMENT, AS WELL AS REFURBISHMENT AND REDEVELOPMENT OF WELL-LOCATED PROPERTIES, TO REMAIN COMPETITIVE IN A TOUGH LEASING MARKET

During the year, we completed several developments, totalling R1.5 billion, at a yield of 7.5% including 90 Rivonia Road in Sandton. This eye-catching property has earned a GBCSA four-star green SA design rating, with its 'As Built' rating soon to follow.

The Towers in Cape Town was also completed and the building expects to get a three-star green rating from GBCSA after its first year of operation.

Rosebank Towers is Redefine's third premium-grade commercial office building built to specifications and will host our new head office. This building is expected to have a four-star green design and 'as built' rating from the GBCSA. It is scheduled for completion in November 2016.

Redefine has begun redevelopment of the Rosebank Mews into a premium-grade, four-star, green-rated office block of approximately 18 213m$^2$ with an abundance of parking, access to the Gautrain, restaurants and retail outlets. This R661.2 million redevelopment into a well-positioned Rosebank landmark, Rosebank Link, is scheduled for completion in December 2018.

#### TARGETING FLEXIBLE WORKSPACE COMPANIES OPERATING WITHIN THE SOUTH AFRICAN MARKET TO CAPITALISE ON THIS MARKET TREND

The need for better utilisation of accommodation is increasing, with many companies reverting to open-plan environments, without dedicated workspaces – even for their executives. The demand for downsized-premises, remote office solutions due to traffic, operating costs and entrepreneurial business growth are key drivers behind these trends. Furthermore, the need for modern office design is growing. It is estimated that there are approximately 50 new flexible workspace companies operating within the South African market.

To capitalise on this trend, we have partnered with a flexible workspace solutions company, to grow our exposure in this area of the market. This partnership sees the development of approximately 5 000m$^2$ across seven sites.

#### DISPOSING OF OUR NON-CORE PROPERTIES

There is a strong move towards consolidation of office space to improve operating efficiencies and incorporate remote offices. At the same time, tenants require improved building efficiencies and quality of space. The result is an increase in the development of P-grade assets, which is increasing vacancy rates in A- and B-grade properties. This places significant pressure on property owners to reduce rentals and increase incentives leading to very little real growth in rentals with Rosebank being a notable exception.

Over the last four years, we have continued to restructure our office portfolio to cope with the challenging macroeconomic environment by disposing of secondary properties. In line with this strategy, we disposed of approximately 60% of our government-tenanted office portfolio to Delta.

## Outlook for office portfolio

A sharp focus on operational efficiency, portfolio quality and strong relationships with key stakeholders will continue to drive growth and open the door to opportunities in the office space.

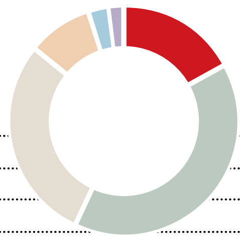
There is no doubt that the office property landscape is changing and we need to be able to deliver on these future needs. Facilities that allow office workers to get on with their day-to-day lives with as little hassle as possible will continue to be in demand; as will the right location and access to facilities. Demand for serviced offices and flexible leases will also increase as more staff members work remotely.

The need for older properties to be retrograded via green star ratings will increase, as more companies are required to report on their broader impact on the environment. Our aim is for all new offices to have at least a four-star green rating and we are making progress on rating existing buildings. We hope to be able to certify a number of them by the end of the next financial year.

A good relationship with tenants, their representatives and brokers remains crucial as these and other trends unfold, and those property owners who fail to maintain these high levels of trust and delivery will struggle. The right product will still work and achieve good value despite the challenging economic environment.

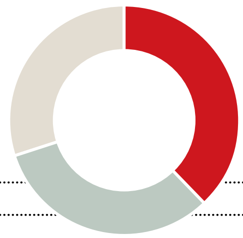
90 GRAYSTON, GAUTENG

### OFFICE VALUE SPLIT BY LOCATION



| | |
|---|---|
| Greater Johannesburg | 17% |
| Sandton | 40% |
| Western Cape | 29% |
| Pretoria | 9% |
| KwaZulu-Natal | 3% |
| Other | 2% |

### OFFICE VALUE SPLIT BY GRADE



| | |
|---|---|
| Premium grade | 38% |
| A grade | 32% |
| Secondary (B and C grade) | 30% |

# Industrial portfolio

## KEY INDICATORS

Industrial portfolio value increased from R10.5 billion to R11.0 billion, with a GLA of 1.9 million $m^2$ (2015: 2.0 million $m^2$)

Vacancies improved to 3.4% (2015: 3.8%)

Retention rate by GLA was 93.7% this year

Average growth in renewal rentals of 3.5%

Expansion into under-represented areas through development

| CHALLENGES | OPPORTUNITIES |
|---|---|
| **Increasing vacancies in less desirable nodes is causing pressure on rental growth in these facilities** | Redefine's strategic redevelopment of secondary assets enhances the value of the portfolio and mitigates long vacancy periods. Securing longer leases with national tenants enhances the quality of tenure, converting these secondary assets into core assets. |
| **Tenants neglecting their maintenance responsibilities** | Proactive property management and tenant liaison to focus on the quality of our assets, thereby minimising loss and damage. |
| **Utility billing inefficiencies by local authorities causing an increase in our cost of managing utility payments and recoveries** | During the year, we continued with the roll-out of our smart metering project implementation to further enhance how we manage consumption, supplier utility billings and tenant recoveries. Furthermore, our manufacturing tenants have access to their consumption profiles, enabling real-time demand planning. |
| **Poorly maintained municipal infrastructure adds pressure on the functionality and value of properties in certain nodes** | We continue to assess the areas in which we operate and seek to establish relationships with the municipalities we deal with in order to secure better outcomes. |

## Overview

In a fiercely competitive market, the strategic location of industrial buildings in proximity to major highways, close to ports and surrounded by sound road infrastructure, remains key to securing longevity in tenant tenure where cost efficiency is paramount. While rental defaults are increasing among smaller businesses, vacancies in the modern logistics sector remain low and land to purchase is scarce.

The industrial market is far from buoyant, with low growth in new rentals. However, our portfolio's long lease profile has proven to be defensive in challenging market conditions.

## Responding strategically

Redefine has a diversified industrial property portfolio, offering a wide spectrum of usable areas to cater for manufacturing, warehousing and small- to medium-sized enterprises. This balanced sub-sector spread continues to enhance Redefine's defensive property asset pool while we continue in monitoring sector trends to capture opportunities as they arise.

## KEY FOCUS AREAS IN THE INDUSTRIAL PORTFOLIO DURING THE YEAR INCLUDED:

### FOCUS ON PROACTIVE MANAGEMENT WITH SPECIFIC ATTENTION TO IRREGULARITIES IN MUNICIPAL CHARGES AND PREVENTATIVE AND SCHEDULED MAINTENANCE PROGRAMMES

Redefine has gone through a restructuring process during the past financial year, appointing an inland and coastal general manager to head up the property management structures within the Company; thereby enhancing the focus on the day-to-day management of Redefine's fixed assets nationally.

### FOCUS ON TENANT RETENTION AND SIGNING NEW LEASES

We have designed and implemented an asset improvement roadmap to enhance tenant retention and buffer against rent reversions as it is costly for tenants to relocate. Therefore, improved facilities assist our tenants in managing the cost of occupation while meeting their operational requirements.

The recently launched Space2Spec letting incentive is expected to improve letting in the industrial portfolio – being the first of its kind on industrial vacancies.

We have also included key design elements in warehousing developments to functionally differentiate our offering.

### FOCUS ON LOGISTICS ASSETS

Redefine's focus on investing in logistics assets has proven to be sound as technology in supply chain equipment continues to improve. New reach and turret trucks have height capacities of 14m and over 17m respectively. Redefine's focus is to provide top-quality logistics facilities to accommodate these improvements in handling equipment. We engage with stakeholders in the industry on a continuous basis to ensure that our offering remains relevant and in demand.

### IDENTIFY KEY NODES TO ENHANCE OUR INDUSTRIAL PORTFOLIO

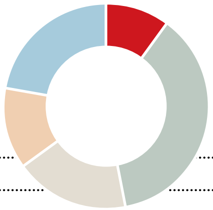
Transport costs, including the cost of road tolls, impact heavily on where tenants decide to locate their operations. We therefore focus on key nodes that appeal to our tenants' interest in saving on transport costs where possible.

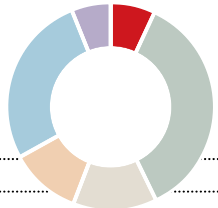
Redefine's development of vacant land in Cape Town (off Bottelary Road on the R300), Gauteng (S&J land next to the Geldenhuys interchange) and KZN (Cornubia) represents a national development pipeline of approximately 1.8 million m$^2$ of developable bulk. This was acquired at a competitive cost and results in expansion opportunities that offer good returns (despite the push-back on rentals) in what is becoming a resilient sector.

During the year, we completed uShukela Industrial Park in Cornubia (for more information, see case study). We completed Waltloo Industrial Park in Pretoria East during the year, 34 Wrench Road in Isando is in progress, with completion expected in February 2017.

## Outlook for industrial portfolio

The demand for mid-sized units is mostly driven by smaller SMME-type businesses and is expected to remain sustainable in the medium to long term. Should Transnet be able to deliver on its intention to re-establish freight rail as a dominant means of transport, we expect older, established industrial nodes with access to rail and railway sidings to go through a rapid renaissance, while demand for quality logistics facilities is expected to continue.





| | INDUSTRIAL GLA BY TYPE | INDUSTRIAL VALUE BY TYPE |
|---|---|---|
| Warehousing | 10% | 7% |
| Heavy-grade industrial | 37% | 36% |
| Light manufacturing | 18% | 13% |
| Industrial units | 13% | 11% |
| Modern logistics | 22% | 27% |
| Other | - | 6% |

## uShukela Industrial Park – capturing opportunities

**THE MUCH ANTICIPATED CORNUBIA LINK BRIDGE AND INTERCHANGE SCHEDULED FOR COMPLETION IN THE FIRST QUARTER OF 2017 WILL PROVIDE CORNUBIA BASED BUSINESSES MULTIPLE AND UNENCUMBERED ACCESS TO MAIN ARTERIAL ROUTES AND A DEDICATED LINK INTO THE HEART OF UMHLANGA'S NEW TOWN CENTRE.**

The roadway will be the second access route linking Cornubia to the N2. The link bridge and interchange form part of an extension to the Umhlanga Ridge Boulevard crossing over the N2 freeway adjacent to the flagship Porsche dealership.

This link will form a part of the new Go! Durban Integrated Rapid Public Transport Network, a priority transport project that combines existing and new rail systems with Bus Rapid Transit systems, road, pedestrian and bicycle facilities.

The multimillion-rand link bridge will ensure that Cornubia is the best-connected and accessible A-grade industrial estate in KwaZulu-Natal, adding value to our newly completed uShukela Industrial Park.

uShukela is a 27 196$m^2$ greenfield industrial development featuring 16 mid-size units ideal for light manufacturing, warehousing, logistics and similar applications. The industrial park is approximately 30 minutes from the port and the Durban CBD. Furthermore, the new N2 highway interchange will provide free-flow accessibility to the greater Cornubia precinct and uShukela Industrial Park, firmly positioning it as an ideal location for businesses looking for a strategically located industrial hub.

## High-return investments

We continue to pursue creative and opportunistic investments where we believe value can be unlocked.

### UNLOCKING VALUE IN STUDENT ACCOMMODATION

Student accommodation is a new asset class for Redefine and while it is still small, exposure is likely to increase, with our ultimate intention to list it as a specialist play. There remains a huge undersupply – resulting in a massive demand for student housing. For Redefine in particular, it provides an opportunity to recycle well-located secondary offices. Our exposure to student accommodation is only through our 51% holding in Respublica, a company that specialises in the development and management of student residences. Our R750 million redevelopment of Hatfield Square, which will provide 2 200 beds, is currently underway; the acquisition of Midrand Varsity Lodge for R476 million and the conversion of the ABSA campus (near Wits) into Yale Village commenced during the year with 332 beds due to come on stream at the beginning of 2017 and a further 1 000 beds planned for the second conversion phase. We are mindful of the risks associated with the #FeesMustFall campaign and will monitor developments in this regard closely.

### CAPTURING OPPORTUNITY THROUGH LOCAL LISTED SECURITIES

Our local listed securities have a portfolio market value of R2.1 billion and mostly been acquired through recycling activity. These investments remain opportunistic and not necessarily long term in nature and are available to support liquidity as the need arises.

### EXTRACTING VALUE THROUGH ADDITIONAL OPPORTUNISTIC INVESTMENTS

While we pursue opportunities to enhance our income, we continue to comply with REIT status limits on non-property income.

**Opportunistic investments include:**

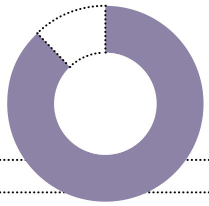
- Loans of R0.9 billion to joint venture partners
- Solar PV projects totalling R68 million in progress and new developments incorporating solar PV
- Non-GLA income opportunities to be exploited – such as connectivity and in-mall media

### Outlook for high-return investments

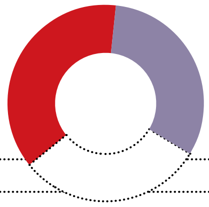
In a challenging market, property developers and investors are exploring new asset classes and sub-sectors that they otherwise might not have invested in a few years ago, and recycling non-core assets that they may ordinarily have disposed of. Redefine remains an agile organisation that is able to capitalise on opportunities as and when they present themselves. Going forward, capitalising on alternative revenue streams will remain a focus.

# International portfolio

## INTERNATIONAL COMPOSITION




## GEOGRAPHIC SPREAD




| | UNITED KINGDOM | AUSTRALIA | EUROPE |
|---|---|---|---|
| **REDEFINE'S INTERESTS** | Redefine International PLC 30.1%<br>International Hotel Properties Ltd **27.5%** | Cromwell Property Group **25.5%**<br>Northpoint a joint venture with Cromwell | Echo Polska Properties **44.9%**<br>Retail joint venture with RI PLC in Germany |
| **EXPOSED TO** | 35% retail<br>33% offices<br>24% hotels<br>8% industrial | 97% offices<br>3% retail | 77% retail<br>23% offices |
| **SHARE OF ASSETS UNDER MANAGEMENT** | GBP 380 million ≈ **R7.2 billion** | AUD 821 million ≈ **R8.9 billion** | EUR 696 million ≈ **R11.2 billion** |
| **SEE THROUGH LTV** | 59% | 62% | 91% |
| **KEY OPERATIONAL HIGHLIGHTS** | Completion and integration of Aegon UK acquisition | Integration of Vallad acquisition and redevelopment of Northpoint | EPP listed on the JSE in September to broaden capital base |
| **REDEFINE ACTIVITY IN 2016** | Supported Redefine International capital raise for Aegon UK | Acquired well-located site in Melbourne for student accommodation | Finalised the EPP acquisition in 2016 |
| **STRATEGY** | Leverage our holding to fund international expansion | Expanded exposure to student accommodation | Continued to expand in Euro-denominated growth market – Poland |
| **Websites:** | www.redefineinternational.com<br>www.internationalhotelproperties.com | www.cromwell.com.au | www.echo-pp.com |

## International outlook

The trend of lower interest rates resulting in attractive initial yield spreads and low growth rates is set to continue. Investing in offshore markets that offer growth through expansion deals with the low growth experienced in these markets.

During the year, we introduced a currency hedging strategy (pre-Brexit), which has placed us in good stead going forward. We also see an opportunity to restructure our international funding and believe that with a full year's benefit of EPP along with expansion opportunities (principally in Poland), the year ahead for our international portfolio looks promising.

## What human capital means to Redefine

Our human capital refers to our employees – our key resource and strategic differentiator. Their knowledge, skills, attitude and innovation enable us to realise our vision of being the best South African REIT.

## Creating value

Our employee value proposition (EVP), which deepens staff engagement, strives to cultivate and harness the power of our employees' passion and commitment. In this way, we optimise the opportunity inherent in our brand promise, i.e. differentiating ourselves through a dedicated people-centric approach to business, and focusing on excellence to go above and beyond the call of duty.

## HIGHLIGHTS

Accredited as a **Top Employer** in 2016 and for 2017 by the Top Employers Institute

Launched our employee value proposition **EVP campaign**

Improved our overall employee engagement capital score from **73%** to **77%**

Invested more than **R7 million** in training and development

Learnership programme in its **fourth year** with 72 learners graduating

| CHALLENGES | OPPORTUNITIES |
| --- | --- |
| **Retaining key staff in an environment where there is a shortage of experienced people** | Strengthening our employee brand through deepened employee engagement strategies. |
| **Living up to our people-centric brand promise** | Improving the communication of our values and embedding them into everyday practices through performance management criteria. |
| **Ensuring ongoing transformation in a context where, due to acquisitions, we onboard employees from other organisations who may not support the achievement of our employment equity (EE) targets. In addition, reaching a demographic balance is exacerbated by the shortage of specific skills in our sector** | Continuing to grow talent through learning initiatives such as our learnership programme, leadership development programme and other internal development programmes. |
| **Addressing key people dependencies** | Again, we see opportunity in our ongoing efforts to grow talent from within by pursuing ongoing learning and leadership development. |

This is not the remuneration report. Refer to the AGM notice for the full remuneration report.

## Reflecting on 2016

In our 2015 integrated report, we reported on certain priorities for our 2016 financial year.

| THIS IS HOW WE DID | Our performance | More information |
|---|---|---|
| Ongoing improvement of our employee engagement practices | 🟢 | Page 81 |
| Refining key performance areas in order to accurately assess employee performance | 🟢 | Page 85 |
| Continuing leadership development through formal and informal programmes | 🟠 | Page 85 |
| Focusing on embedding organisational structures and values throughout the Group | 🟠 | Page 80 |
| Ongoing efforts to reinforce our employer brand positioning | 🟠 | Page 81 |
| Continuing change management due to our ongoing growth | 🟠 | Page 84 |

KEY: 🟢 Achieved target 🟠 Still in progress/ongoing 🔴 Did not achieve target

## Priorities for 2017

| | |
|---|---|
| Focusing on further **utilising our human capital to advance our business and create value** | |
| Enrich employee **engagement practices** | Promote a **values-driven culture** |
| Energise a culture of **reward** and **recognition** | Refine **key performance areas** |
| Accelerate **transformation** | Ensure **employee demographics** are relevant |

## Our human resources strategy

In our efforts to be the best in all aspects of what we do, we understand that there is nothing more powerful than our employees' passion and initiative in striving to be the best version of who they can be.

Our human resources strategy is focused on strengthening the intangible capital of our organisation by contributing to the success of the business, maximising our stakeholders' benefit through the creation of value for our employees, who then, in turn, create value for our organisation by delivering on our strategic matters.

**Human capital delivering sustained value for stakeholders**

Tangible **VALUE**

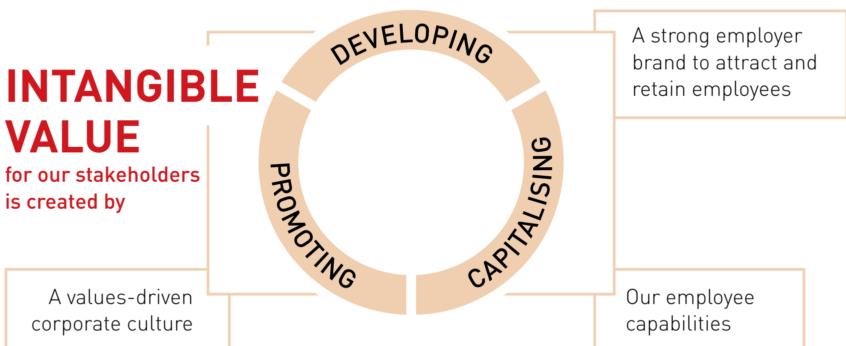
**+**

Intangible **VALUE**

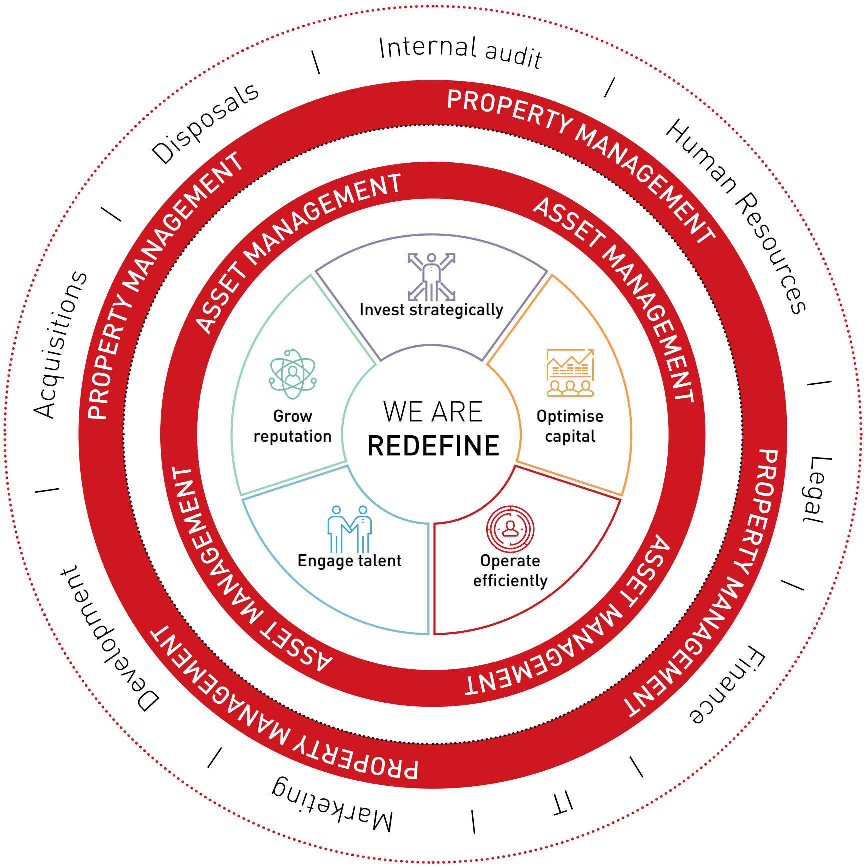
Our focus in human resources: **strengthening the intangible capital of the organisation**

**=**

Stakeholder **VALUE**



## Embedding organisational structures




## Communicating our employee value proposition

Effective stakeholder engagement and communication is core to Redefine's ethos. While we have achieved good results from our employee surveys (detailed on page 82) and improved overall results on a year-on-year basis, we acknowledge that we can always improve on communication, and this remains a focus area.

During the year, we focused on enhancing our communications with our employees through the development of a clear employee engagement programme.

### THE OBJECTIVE OF THE PROGRAMME WAS TO CREATE A CONSOLIDATED PLAN THAT ALIGNED, INTEGRATED AND SIMPLIFIED OUR COMMUNICATION OF STRATEGIC COMPANY PROJECTS TO:

- Ensure consistent, structured and continuous messaging across the Company
- Make it possible for employees to understand the full scope of the Redefine landscape, what Redefine has to offer, as well as their role within it
- Eliminate over-communication and clutter, so that people can see and make the desired connections between the things that matter most
- Motivate and mobilise employees through effective and inclusive engagement to deliver on the Company's vision and strategic objectives by being the best at what they do

**WE FOCUSED ON MEETING THESE OBJECTIVES THROUGH AN INTERNAL EMPLOYEE VALUE PROPOSITION, AS ILLUSTRATED BELOW:**


These themes were covered in the launch of the programme, as well as manager-led facilitated conversations (called Team Chats), where open dialogue was encouraged, enabling employees to recognise their part in the process and understand that their inputs were valued.

Going forward, all employee communication will be streamlined using these themes and will culminate in our internal promise to 're-imagine real value', which promotes the understanding that the value our employees bring to our organisation is as much who they are as it is what they do.

## Understanding our engagement

Research has established that employees who are engaged, i.e. motivated and passionate about achieving organisational outcomes, drive business success. These employees are more customer-focused, innovative, and creative. All factors that are vital to ensuring long-term sustainability in an increasingly competitive knowledge-based economy.

Our employee engagement survey is a critical part of understanding our employees' levels of engagement. During 2016, our employees were once again provided with the opportunity to share their opinions regarding their jobs and their work environment by participating in the 2016 employee engagement survey. This is the third year we have asked our employees to participate in this confidential, web-based survey, asking their opinions on topics such as career and professional development, manager quality and rewards and recognition.

The survey was conducted in April 2016. **Approximately 71% of our workforce completed the survey,** ensuring the results can be viewed as credible and representative of the current levels of employee engagement. Redefine's scores were benchmarked using global results from over 400 like-sized organisations across more than 20 industries.

REDEFINE SCORE | BENCHMARK SCORE %

SURVEY CATEGORY

**Engagement capital**
High overall level of commitment, discretionary effort, and intent to stay
77% | 60%

TOP ENGAGEMENT STRENGTHS

**Leadership**
Confidence in leadership in the organisation
70% | 46%

**Engagement capital (future)**
Confidence in the future performance of the organisation and employee ability to pursue a successful career in the organisation
73% | 52%

TOP ENGAGEMENT GAPS

**Discretionary effort**
Willingness to go 'above and beyond' the call of duty
AREA TO FOCUS ON IN 2017
88% | 86%

**Intent to stay**
Shows intent to stay with the organisation
70% | 67%

**Redefine achieved an overall engagement capital score of 77% with the benchmark set at 60%** (2015: 73% with a benchmark of 60%). The engagement capital score is a metric designed to give the organisation an overall score of the degree of commitment, discretionary effort and intent to stay exhibited by employees.

The score Redefine achieved indicated that employees reported an overall high level of engagement in the organisation. As such, we believe our employees are motivated to achieve the Group's goals.

While we saw improvements in all areas this year, the top gaps identified were discretionary effort and employee commitment as these scores, although higher than the benchmarks supplied, were not as elevated above the benchmarks as in other areas and will therefore be areas of focus.

We believe that our employee engagement programme and refined rewards and recognition programme will support our continued efforts to create an environment in which employees believe that they are valued, and in doing so, build discretionary effort and employee engagement.

Our employee engagement survey will be performed annually to monitor any developments in these scores.

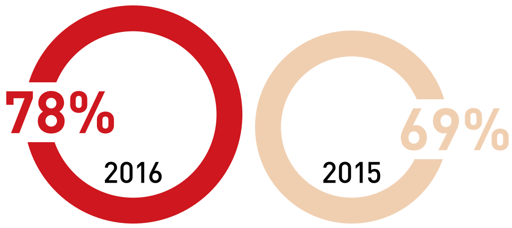
## Assessing our employer brand

We have been recognised as a Top Employer in South Africa by The Top Employers Institute, for our exceptional employee offerings for the second consecutive year. Redefine is the only listed South African REIT that has been certified as a Top Employer 2017 in the certified group.

The Top Employers Institute globally certifies excellence in the conditions that employers create for their people.

The annual research recognises leading employers around the world – those that provide excellent employee conditions, nurture and develop talent throughout all levels of the organisation, and strive to continuously optimise employment practices.

PERFORMANCE AS AN EMPLOYER BRAND




During 2016, we improved our performance year on year by 9% and achieved an absolute score of 78% (2015: 69%).

## Cultivating our culture and values

Belief in an organisation's mission, vision and values is one of the most effective drivers of engagement. People work hard for what they believe in.

Our mission is to create sustained value for all our stakeholders. Our culture is relational. A few years ago, we embarked on a journey of transforming our corporate culture to support the positioning strategy of redefining relationships.

We ensure our culture resonates with our employees by focusing on living our brand daily, leveraging the strength of diversity within Redefine and embracing change.

## Living our brand

Our brand is one of our most valuable assets and what differentiates us in the marketplace. Our brand promise is not only delivered through our portfolio offerings, but also through the behaviour of our employees — or our brand ambassadors — who represent the brand at every touchpoint with external stakeholders.

Redefine's relational business model means that an aligned workforce, where each employee has a clear sense of our vision, mission and values, is an important part of the way we do business. A key component of our human capital management is embedding our unique culture and values throughout the Group. This is done through various platforms including onboarding, internal marketing, roadshows and internal communication platforms such as our Team Chat forums. These sessions ensure key themes and important information flows from senior management to teams throughout the business. Line managers are encouraged to facilitate two-way communication with their teams to share key messages, but to also identify areas for consideration to enhance employee engagement.

At Redefine, our unique approach to relationships with each other and our other stakeholders is **OUR KEY DIFFERENTIATOR**

**Andrew König**
*Chief executive officer*

## Leveraging the strength of diversity

We understand that the diverse knowledge and skills of our workforce benefit our entire organisation, fostering creativity and expanding our approach to problem-solving and thus our responsiveness to changing conditions.

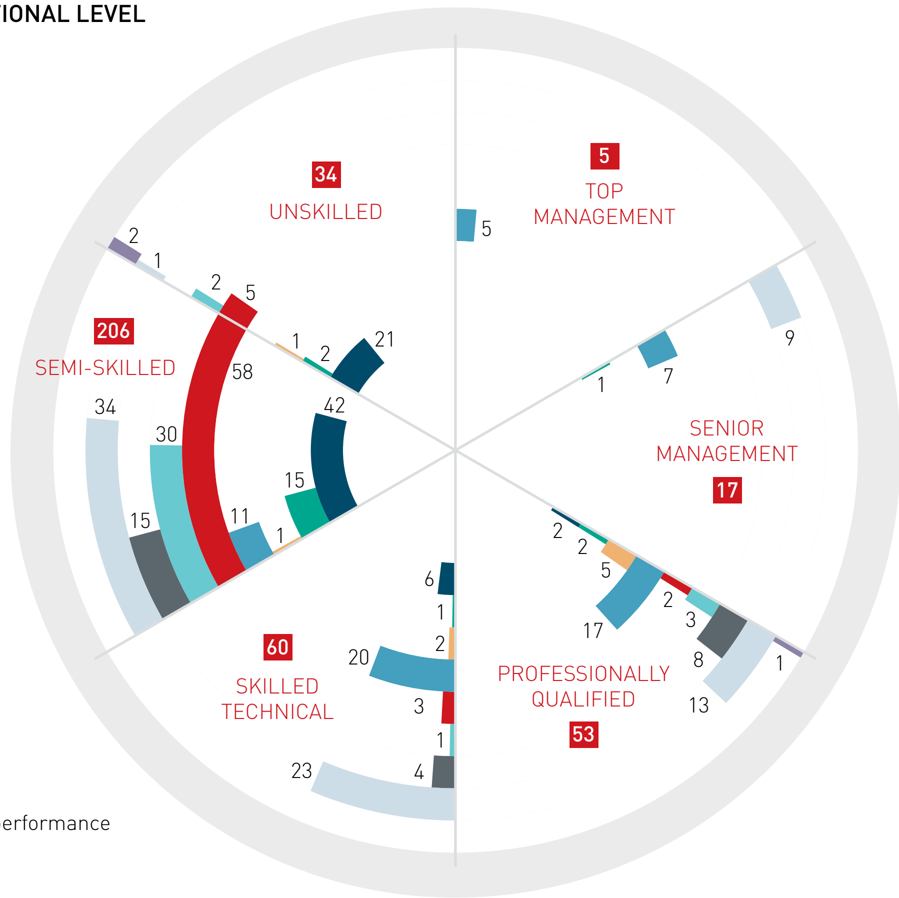
In line with the strategic matters of the business to enhance and improve the core property portfolio, new properties are acquired and new employees transferred to the existing business. When properties are sold, the employees associated with these assets are transferred out of the business as a part of the sale agreements with the new owners, and these business transactions can have an impact on our employment equity statistics and is therefore an area in which we continue to face challenges. In addition, reaching a demographic balance is exacerbated by the shortage of specific skills in our sector. We remain focused on increasing the number of employees from designated groups and continue to proactively seek and develop the right candidates – those candidates who best support our overall business objectives.

We support the principles of diversity and practise equality of opportunity among all our employees, and we have adopted a broad diversity policy to ensure that, over time, we promote gender diversity among senior management.

## EMPLOYEE EQUITY BY OCCUPATIONAL LEVEL

### DESIGNATED GROUP AS AT 31 AUGUST 2016

| | TOTAL |
|---|---|
| Black male | 71 |
| Coloured male | 21 |
| Indian male | 9 |
| White male | 60 |
| Black female | 68 |
| Coloured female | 36 |
| Indian female | 27 |
| White female | 80 |
| Foreign nationals | 3 |




For more information on our overall performance with regard to BBBEE, see page 90.

## Embracing change

Change is the new normal and organisations can be overwhelmed by change. We operate in a volatile market that requires us to anticipate and respond to change quickly and, with the slowing pace of economic growth, we require novel business models to deliver on strategic objectives and stakeholder expectations. To keep our employees focused, our leaders continue to build change capability by encouraging open communication, facilitating collaboration, making information clear and available and building assurance and self-confidence rather than making promises of stability and security.

## Working towards a common goal

We want our people to understand how their work supports the short- and long-term goals of our organisation. We recognise that by clearly communicating strategically aligned goals, we ensure that time is not wasted on unrelated tasks. Managers are able to identify goals which have been missed, enabling them to step in and easily steer a project back on track.

To achieve this alignment, we have followed an approach that has cascaded our strategic goals and objectives throughout the organisation. This allows each employee to understand how their daily actions contribute to the overall success of the Group and ensures that resources are aligned with strategic matters. During 2016, objectives and goals were cascaded to all levels of the business to ensure all employees understood the value they bring and the role they have to play in making Redefine the best REIT.

## Managing and rewarding performance

We believe that performance management offers us the opportunity to help further our employees' competencies while recognising our people for their contributions to our business.

During our strategy-cascading process, strategic matters were broken up into business objectives, goals and key performance indicators (KPIs) to measure the achievement of these elements against a predetermined set of goals. Living the brand promise, **"We're not landlords. We're people."** is central to our business and also forms part of our behavioural competencies and performance review process. We want our people to know that the value they bring to our organisation is as much who they are, as it is what they do.

The process of creating, monitoring and evaluating KPIs that are aligned with strategic objectives is ongoing and needs constant focus and attention in the ever-changing world in which we operate in order to ensure we have clear KPIs and targets to support the business.

For futher information refer to the remuneration report in the AGM.

## Growing our skills base

Redefine continues to develop talent from within by giving employees the opportunity to acquire skills, knowledge and competencies in their roles. Redefine uses a blended approach, which includes on-the-job training, coaching, workshops, structured programmes (including learnerships and graduate programmes) and study bursaries for tertiary education.

We are committed to making financial resources available for the training and development of staff. Through Redefine's various business-specific training initiatives, we aim to reach our annual training target of 80% of the workforce attending a minimum of one training event in the year. Redefine is committed to identifying, transferring and developing scarce or critical skills to optimise competence in key areas of business.

## Leadership development

Having the right leadership in place does not happen of its own accord. Rather, it is the result of a rigorous selection and development process.

At Redefine, we take leadership development seriously. We believe that leadership development, that is, any activity that expands the capacity of individuals to perform in leadership roles is a key way to ensure our business is moving forward, and to ensure we are growing leaders from within.

Taking it one step further, we not only develop leadership capabilities, but also measure the effectiveness of our leaders by introducing a leadership survey. This assesses the level of responsible leadership displayed by senior leaders and evaluates their commitment to exemplifying Redefine's values.

In this way, we also deal with the risk of key person dependency within our organisation. This is a key risk and involves a situation where one individual is solely responsible for an area within the business, and there is no succession plan in place. We are dealing with this risk proactively, ensuring that key individuals are being mentored, coached and developed as future leaders.

## Learnership programme

Our learnership programme offers graduates and school-leavers from designated groups the opportunity to gain real work experience. The programme has far-reaching consequences for the graduate, Redefine Properties, the property sector and the economy in general. South Africa faces a shortage of skills and suitably qualified and experienced individuals. The property sector in particular only has access to a small pool of quality employees. Our learnership programme creates an exciting opportunity for the learnership candidates, yet it also grows the pool of qualified and skilled people entering our sector.

The programme entered its fourth year during 2016. Starting with only five learners in 2013, the programme has grown to include 27 learners and will expand to the Cape Town region in the coming year.

Starting with only five learners in 2013, the programme has grown to include **27 learners** this year and will expand to the Cape Town region in the coming year

| | TOTAL |
|---|---|
| Number of training interventions | 3 542 |
| Man-hours spent in training | 15 918 |
| Direct cost of training (course costs + other costs such as travel, accommodation, catering, venue, etc.) | R3.5 million |
| Total cost of training (direct + salaries of qualifying categories) | R7.8 million |

## What social and relationship capital means to Redefine

Property is embedded in the community, as a consequence Redefine sees social and relationship capital as the link between our business and society. By managing this capital, we are able to create and identify new opportunities to deliver enduring value and mutual benefit to the societies in which we operate.

## Creating value

Property is our commodity, but people are our business. We differentiate ourselves through a dedicated people-centric approach to business, focusing on excellence in the context of relationships. We nurture this culture internally and extend it externally in the way we engage with and add value to the lives of our stakeholders.

## HIGHLIGHTS

**Ranked fifth**
in EY's 2016 Excellence in Integrated Reporting Awards

Piloted an integrated approach to our **retail marketing**

Development of our Customer Relationship Management **(CRM) platform**

Maintained a **level 3** rating for BBBEE

Brand valued at **R6.3 billion**

**Relaunched our website**
with a fully integrated vacancy portal

| CHALLENGES | OPPORTUNITIES |
|---|---|
| **The accurate measurement of our return on investment for our marketing initiatives remains a challenge** | With the completion of our CRM database, as well as the completion of the vacancy portal on our website, more direct marketing initiatives can be launched, with measurement tools built into the process. This will assist in increasing our reach, managing data and measuring our results more accurately. |
| **We continue to explore partnerships with NGOs and other businesses with regard to our CSI initiatives. During the year, however, we faced a setback in an existing partnership due to the termination of the Property Foundation initiative** | We remain committed to creating value for all our stakeholders. Our challenges in 2016 have inspired us to review our strategy, finding opportunities to contribute to broader value creation that is more aligned with our core business. Going forward, we will focus on the consolidation and implementation of our national strategy, which will include CSI initiatives throughout our portfolio and concentrate on contributing space in line with our core business focus. |
| **Delivery and alignment of our brand: taking it from the head space into the contact space** | Commenced with the CRM platform and continuous employee engagement programmes. |

# Reflecting on 2016

In our 2015 integrated report, we reported on certain priorities for our 2016 financial year.

| THIS IS HOW WE DID | Our performance | More information |
|---|---|---|
| Operational alignment to safeguard delivery on our brand promise | 🟠 | Page 80, 88, 89 |
| A continued focus on improving stakeholder engagement, including the creation of a centralised stakeholder database to ensure stakeholders' legitimate needs are identified and addressed | 🟠 | Page 88 |
| Further exploration into collaboration with other funders in order to intensify our efforts in specified communities | 🔴 | Page 91 |
| Relaunch our corporate website | 🟢 | Page 88 |

KEY: 🟢 Achieved target 🟠 Still in progress/ongoing 🔴 Did not achieve target

# Priorities for 2017

| |
|---|
| Completing phase 1 and scoping and implementing phase 2 of our **CRM project** |
| **Enhancing our website and implementing our digital strategy** with supporting measurement tools |
| **Finalising consolidated national CSI strategy,** which includes CSI initiatives throughout our portfolio, such as retail centre initiatives, vacant space donations and non-GLA space donations |

NICOLÉ VOS WITH BUSKAID, 90 GRAYSTON, GAUTENG

## Growing our brand

An organisation's brand is its essence and personality – communicated both internally and externally – and if well managed, can be a valuable intangible asset. Managing Redefine's brand and reputation is, therefore, an ongoing priority.

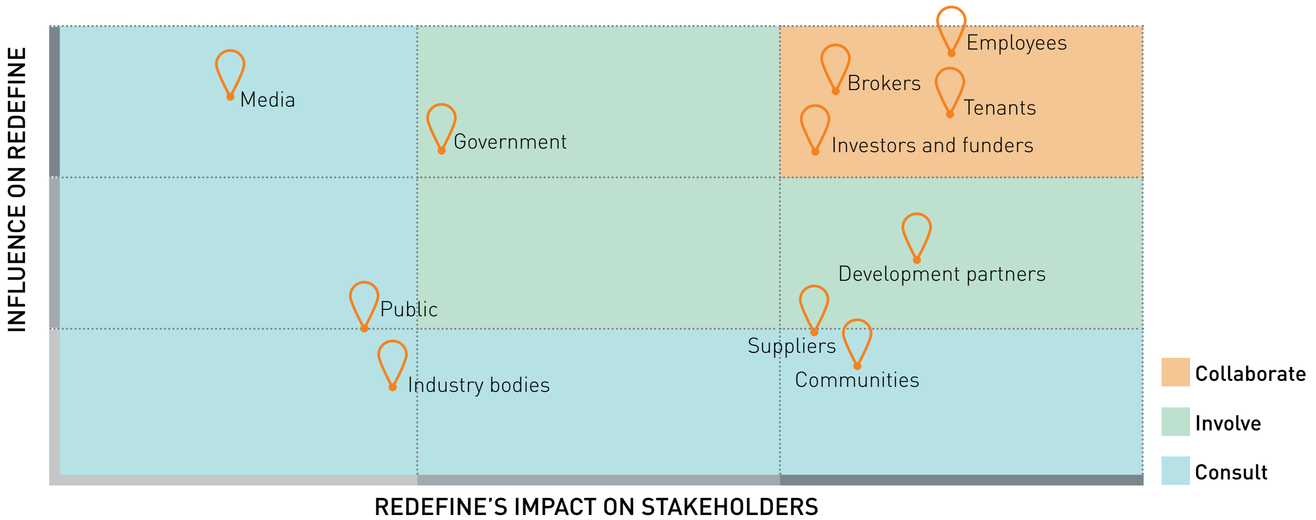
Our brand positioning statement: 'Redefining Relationships' is communicated to external stakeholders through creative advertising campaigns, and through our tagline: **"We're not landlords. We're people".** To continue growing our brand and to keep Redefine at the front of our stakeholders' minds, we have continued to leverage the success of our initial advertising campaign during the year. Staying true to the brand's 'irreverent' personality, a new campaign was launched, which included a series of radio, television, print and digital adverts developed to convey the human face of our brand. We also relaunched our website, a key communication platform for all our stakeholders, as well as a new employee intranet.

## Ensuring positive stakeholder engagement that enhances our business

Integrating stakeholder engagement is not only fundamental to ensuring effective operations and delivering on our growth mandate, but it has been identified as a potential key differentiator.

We identify our key stakeholders in order to engage with them in the most effective manner. Our stakeholder engagement approach is designed to respond to our stakeholders' legitimate concerns and help form collaborative partnerships. Key stakeholders are prioritised according to their influence on us and our influence on them. We categorise these relationships as collaborate, involve or consult or based on the level of mutual influence.

For more information on how we have engaged with our stakeholders and what we have done to address their legitimate needs and concerns, please refer to the SES.




## Assessing our brand strength

We are pursuing an integrated approach to stakeholder engagement. In order to understand where we need to improve, evaluating our success to date is essential. To ensure our brand is growing and contributing to the future success of the Group, we conducted a brand valuation.

Our brand valuation provided valuable insights into our messaging consistency across platforms, how we are positioning our employees as brand ambassadors, including their familiarity with our brand promise and buy-in to this promise, our operational alignment with our brand and overall delivery on this brand promise when we deal with external stakeholders.

### SOME OF THE KEY INSIGHTS GAINED FROM THE BRAND STRENGTH ANALYSIS ARE:

| | |
|---|---|
| | Employees understand the brand promise, values and strategy of Redefine. There is a strong commitment from employees and management to live the brand |
| | There is room to improve the understanding of our employees in non-management roles, on how to deliver on our brand promise in their daily activities |
| | Redefine is agile and adapts well to changing market trends, meeting our stakeholders' desire for innovation |
| | However, commitment to and achievements of our sustainability efforts are not well communicated |
| | There is a disconnect between the customer experience of our tenants, in particular lower-graded buildings |
| | Redefine is seen as a thought leader in the sector |
| | Redefine's presence in social media is weaker than that of our competitors |
| | There is a strong brand advocacy through our brokers and tenants |

KEY: Positive Room for improvement Negative

We also strive to get a better understanding of the effectiveness of the communication with key stakeholders and how that impacts on their perceptions. To this extent, we once again commissioned our independently run annual perception research study to measure, through qualitative and quantitative measures, the perceptions of our investors and analysts.

### ALTHOUGH THE FEEDBACK WAS GENERALLY POSITIVE, TOP ISSUES RAISED IN THE LATEST PERCEPTION SURVEY INCLUDE:

- Clarity on Redefine's strategy (overall and concerning international investments)
- Transparency on our transformation strategy (at Board level and in general)
- Independence of the Board was raised as a concern
- The role of the executive chairman
- Clarity on our investment case and value proposition

## Ensuring progress

We recognise that great brands are built from the inside out and that our external marketing efforts will never outweigh the impact of what our employees think, say and do. This year, we launched our internal employee engagement campaign, whereby our EVP was synthesised and overtly communicated and all business messages were streamlined and communicated through newly launched platforms. Our EVP reflects our customer value proposition internally and supports our brand delivery to our other stakeholder groups

Through these endeavours, we believe we create organisational alignment and equip our people to be brand ambassadors in a competitive market. For more information on our employee engagement initiatives undertaken this year, please see page 82.

We have also commenced work to formulate a consolidated tenant engagement strategy, supported by our CRM system, which will prompt, automate and track our engagements with our tenants in a consistent manner through all touchpoints.

Our investment case and value proposition for investors is communicated through many platforms, such as investor presentations and this report. However, our investor perception survey highlighted that there was an opportunity to enhance communication in this area. As a result, in 2017 we will develop  an improved communication plan to ensure we convey our strategy, investment case, value proposition and progress on strategic matters clearly and consistently.

## Focusing on broad-based empowerment

We believe that broad-based black economic empowerment (BBBEE) is a pragmatic strategy that seeks to address historical inequalities and mobilise the potential of all South Africans. We embrace the objectives of BBBEE and believe that it is essential to play our part in moving South Africa forward.

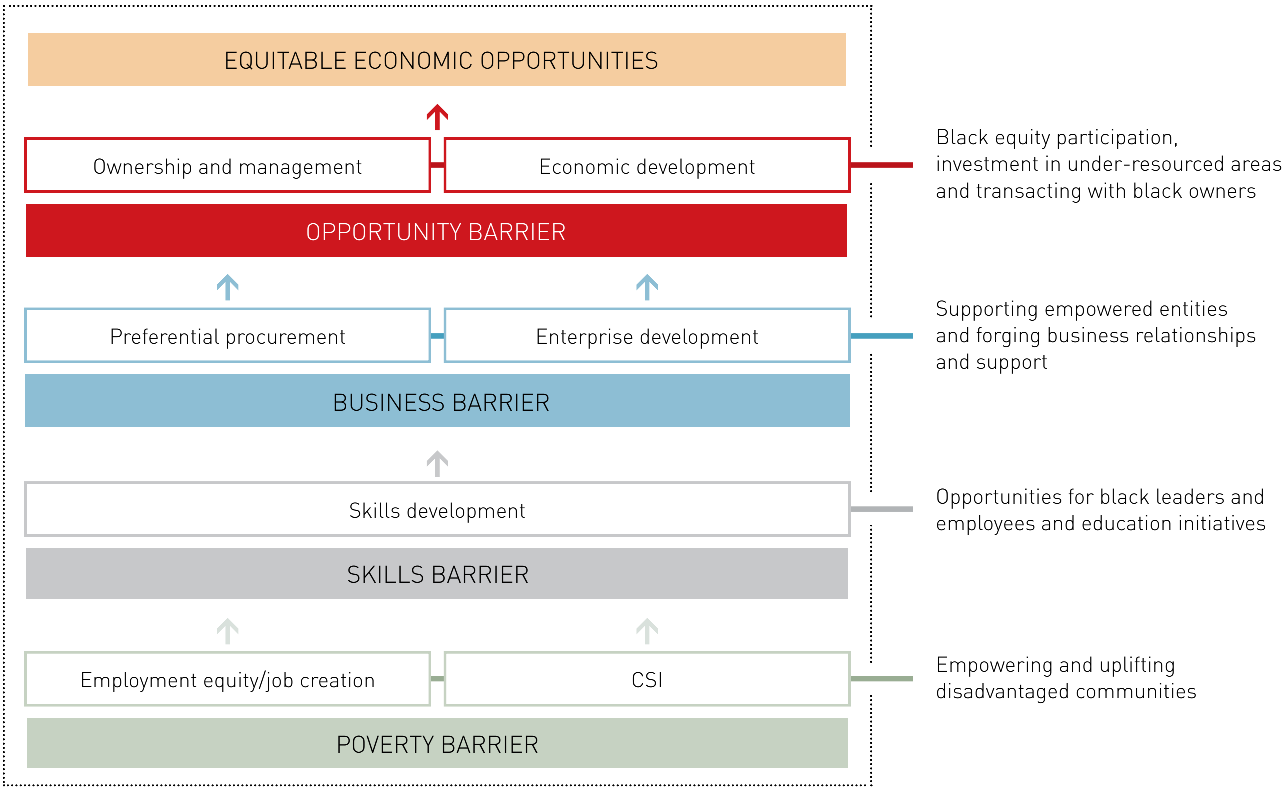
Redefine's approach to transformation is to create benefits for the wider society in the areas in which it operates, by generating opportunities for learning and training.

## Redefine's approach to transformation

To reaffirm our commitment to empowerment, we have established an empowerment trust, focused on initiatives that improve education and training through the provision of scholarships and bursaries as well as community development programmes. Beneficiaries include pre-school children, schoolchildren, and students at tertiary institutions, black entrepreneurs, community upliftment programmes and poverty alleviation organisations. The trust is operated independently and is managed by external, independent trustees. According to the trust's terms, all beneficiaries must be black South Africans, of whom at least 50% should be female.

The trust was established through the issue of 300 million Redefine shares valued at approximately R3 billion. The trust, which has been structured as a capital-preserving trust, will continue in perpetuity. Through the establishment of the trust, we have improved our ownership credentials, with approximately 31% of the Company being black-owned, and black female ownership amounting to 6%.

During 2016, Tshikululu Social Investments was appointed to administer the trust and all allocations. Work has commenced between it and trustees to formulate a strategy, vision and brand. Once this work is complete, the trust will be in a position to start identifying beneficiaries so that it is ready as soon as the first threshold to disposable income has been reached.



## Our BBBEE performance during 2016

For the past 16 years, Empowerdex, South Africa's leading empowerment ratings agency, has undertaken an annual assessment of the status of the JSE-listed companies' black economic empowerment scores. We are pleased to be rated as the most empowered South African REIT in 2016 and 41st overall. We believe this achievement reflects our commitment to meaningful transformation, and we recognise that there is still much work to be done in this arena, particularly under the new codes.

**31% black ownership**

with 6% black female ownership

Maintained a

**Level 3 contributor status**

which provides us with a 110% BEE procurement recognition level which in turn benefits our valued clients' BBBEE scorecards

## Creating shared value through community development

Our CSI initiatives are focused on education, development and upliftment as we believe these initiatives best support sustainable value creation and therefore our mission of sustained stakeholder value.

We favour projects in the communities that surround our buildings as a means of improving the well-being of our potential customer base and the community from which we hire our employees. When we evaluate potential projects, we also look at the potential social and economic impact in terms of the measurable long-term benefits and social changes they are able to deliver.

An example of such a project is Buskaid, an organisation that encourages musical talent in developing communities. Other investments include the Maharishi Institute, aimed at developing the experiential skills of high school graduates. Amandla EduFootball, a project we are passionate about, that creates sports-driven 'Safe Hubs' for youth in areas with few opportunities. We are also involved in bringing joy to children confined to hospital beds through the Reach for a Dream programme. Both our employees and project participants have something to gain from this interaction through employee volunteerism initiatives.

**We are always looking for ways to maximise our contribution.** While we were unable to find appropriate opportunities to collaborate with other funders, this year we reviewed our approach to CSI to identify potential opportunities that leverage off our core business. Going forward, we will focus on the consolidation and implementation of our national strategy, which will include CSI initiatives throughout our portfolio and will concentrate on contributing vacant space to organisations that we partner with.

# INTELLECTUAL CAPITAL

## What intellectual capital means to Redefine

Intellectual capital refers to the DNA of Redefine, the knowledge in our organisation that does not go home at night, which sets us apart. It's a key driver of sustainable growth. In other words, it is our intellectual property and encompasses our culture, our governance and leadership structures, our processes, our remuneration philosophy, our approach to risk management, as well as our property and relationship management systems. It is distinct from human capital in that it can be reproduced and shared.

## Creating value

In an economy where there is an increasing reliance on intellectual capabilities, Redefine is of the view that the source of our economic value no longer depends only on our 'bricks and mortar' income-earning asset base, but how we manage and use these assets to extract the highest and best use. We also recognise that people are our business and our unique approach to relationships is what sets us apart.

Execution is more important than the strategy itself. In a fiercely competitive environment leveraging our intellectual capital enables us to implement our strategy in the most effective and efficient way possible, which in turn translates into increased prosperity for our stakeholders.

## HIGHLIGHTS

Establishment of management committee as a **strategic** management leadership forum

Knowledge gained from **brand valuation** highlights opportunities

Implemented an **integrated approach** to strategic choices

Updated **information technology** systems to support business efficiencies

Entrenched a culture of **consistent and ethical** behaviour

Established intranet as a **knowledge-sharing** platform

| CHALLENGES | OPPORTUNITIES |
|---|---|
| **Our high rate of growth can result in culture dilution as new employees are brought into the organisation** | A comprehensive onboarding programme that is mandatory for new employees, at all levels, enables us to introduce our employees to our culture from the outset. We also embed our values through visible leadership, staff communications and we strive to learn from our new employees. |
| **Intellectual capital often resides in our human capital, that is, knowledge gained is not translated to systems and processes that exist in the organisation. Therefore, when employees leave, this knowledge leaves with them** | We are focused on formalising our understanding of intellectual capital and ensuring it transfers across the organisation in such a way as to gain maximum sustainable benefit for the business and all stakeholders. We have commenced the implementation of our CRM system to ensure the central storage of information and knowledge-sharing. |

## Reflecting on 2016

In our 2015 integrated report, we reported on certain priorities for our 2016 financial year.

| THIS IS HOW WE DID | Our performance | More information |
|---|---|---|
| Continued our journey of refining our definition of intellectual capital and actively managing it within our business | Still in progress/ongoing | Page 92 to 95 |
| Focused on developing our CRM system and used this information as a tool for improved decision-making throughout the organisation | Still in progress/ongoing | Page 95 |

**KEY:** Achieved target Still in progress/ongoing Did not achieve target

## Priorities for 2017

- Harnessing the intellectual capital acquired through the **expansion of our senior management structure**
- **Integrating and aligning our assurance processes** to maximise risk and governance oversight in support of our combined assurance approach
- Optimising **information-sharing platforms**
- Encouraging a **culture of innovation**
- Evaluating the **security, functionality and efficiency** of business processes and systems
- **Translating learnings** from stakeholder engagement surveys into sustainable business practices

## Entrenching our values-driven culture

During 2016, living Redefine's values received a strong emphasis throughout our organisation to sustain a culture of consistent and ethical behaviour (one of the last variables under our control) in a challenging business climate filled with many distractions.

A continuing challenge in this regard, however, is the high rate of consolidation and acquisitions in our industry. Redefine welcomes the fresh intellectual capital and experience that new employees bring to the Company, but ensures that newcomers become closely aligned with our unique approach and strategic matters. We accomplish this integration through a comprehensive and mandatory induction programme.

During the year we refreshed our rewards and recognition programme to inspire excellence and encourage a culture of brilliance. The following five performance-based categories, grounded in living our ethos and values, were introduced:

- encouraging collaboration
- bringing passion and energy to everything we do
- delivering proactive service professionally
- behaving with integrity
- driving innovation

## Integrated approach to sustainable value creation

**To sustain growth, we need to manage more than just our finances and our properties. We need to make strategic choices that develop and preserve all our capitals – financial, manufactured, human, social and relationship, intellectual and natural.**

Taking this broader perspective necessitates that we examine our operating context (see page 14) and our key relationships (see page 16) to determine the risks and opportunities specific to our business (see page 18). By prioritising these risks and opportunities, we have determined what matters most to our ability to create sustained growth for all our stakeholders. In an environment of many distractions, risks and opportunities, we focus on these matters most in making our strategic choices.

In this way, sustainability and integrated thinking are being extended to all aspects of our business to ensure a balance between meeting short-term stakeholder expectations and managing a long-term asset class.

# Ensuring fit-for-purpose governance and leadership

**We focus on maintaining a culture or operating model that is nimble and encourages decisive action. We have a relatively flat leadership structure, and this allows for agility and collaboration.**

Our corporate governance structure provides for the delegation of authority while enabling the Board to retain effective control. The Board delegates authority to relevant Board committees and to the CEO with clearly defined mandates. The CEO and company secretary monitor and maintain the delegations of authority and ensure that they are reviewed on an annual basis.

While we remain committed to the principles of King III, in contradiction to King III recommended practice, our chairman is an executive director. King III, however, adopts a 'comply or explain' approach whereby entities are called to explain if and why they differ from the King III recommendations. Redefine has chosen to deviate from the recommendation as we believe it to be in the best interests of the Group. In order to preserve the Board's independence while ensuring that the right experience and skills are selected for the Board, we have a lead independent director and the roles and responsibilities of the executive chairman and chief executive officer are clear.

For more information on our summarised corporate governance review, see page 44 and for a detailed understanding, refer to CGR.

## Supporting ethical leadership

Ethical leadership is fundamental to Redefine, and the Board subscribes to the highest levels of integrity in conducting the Company's business and in dealing with stakeholders. The Board has approved a formal code of business conduct that is central to the growth and sustainability of the Company and is designed to entrench a culture of intolerance towards unethical conduct, fraud and corruption.

This code of business conduct addresses Redefine's responsibilities to tenants, suppliers, shareholders, employees, authorities and the general public. It includes a whistle-blowing policy that offers several avenues for reporting unethical conduct.

For more information on corporate governance, see page 44 of this report or our separate CGR.

To assess ourselves and our ethical capital i.e. the value that is generated by an ethical organisational culture, we conducted a confidential web-based ethics survey during the year to determine our employees' perceptions of ethics policies and practices within the Group. While measuring this intangible capital is an ongoing challenge, we believe that this survey assists in gaining a better understanding of the ethical culture of the Group and provides an indication of the areas requiring improvement.

**The Group's overall ethics rating was an A rating on a scale from D to AAA where AAA is the best result; this was the same in 2015.** The survey results were very good for behaviour and integrity boundaries and uncovered no major ethical risks. Once again, the extent to which our leaders are seen to live our values and shape ethical conduct is excellent. Noteworthy drivers that improve ethical behaviour were identified as leadership, pride in the Company and practising the values that we hold. The extent to which people feel valued and the feeling that rewards were fairly allocated increased.

In order to assist in the elimination of dishonest practices and promote strong business relationships, Redefine has a whistle-blowing facility available to all stakeholders.

We have an established
**code of business conduct**
that is central to the growth and sustainability of the Company and is designed to entrencha culture of intolerance towards unethical conduct, fraud and corruption

# Risk management

The Board has overall responsibility for monitoring risk management and internal control. It recognises the importance of identifying and actively monitoring the full range of financial and non-financial risks. By regularly reviewing the risk appetite of the business, the Board ensures that risk exposure remains appropriate. The Board had delegated risk management to the audit and risk committee, supported by our internal audit division, which reviews the risk management plan and monitors developments. Day-to-day management of risk lies with line, senior and executive management and is underpinned by formal risk reviews conducted across all functional areas of the Group.

Our executive committee is responsible for the day-to-day management of risks. Their duty includes the ongoing identification, assessment and mitigation of risks as well as the design, implementation and evaluation of the internal control system and for ensuring its operational effectiveness.

## Risk management process

**IDENTIFY**
The risks that are fundamental to achieving our strategy are identified using a top-down and bottom-up approach. The enterprise risk management (ERM) framework and policy are utilised to guide the ERM process.

**ASSESS AND MEASURE**
Risks are assessed based on their potential impact on the business (tenants, investors, business systems and employees), financial position and reputation, including the likelihood of the risk occurring.

**RESPONSE AND ACTION**
In line with the ERM policy, mitigating actions are assigned to each risk. The appropriateness of these responses is overseen by the audit and risk committee. Internal audit, as part of the risk-based audit plan, provides assurance on the appropriateness and effectiveness of these mitigating actions.

**MONITOR AND REPORT**
The risks are managed and monitored on an ongoing basis. Quarterly risk reports are provided to the audit and risk committee which in turn provides feedback to the Board.

For more information on our top of mind risks and opportunities, see page 18.

# Systems that enhance the management of our property portfolio

## Information and communications technology

To manage the responsibilities of property management and provide improved data management capacity that supports growth, Redefine invested over R34 million in information and communications technology systems. Our investment during the year focused on enhancing our property management software to improve budgeting and reporting. During the year, we also changed IT service providers.

## Building and utility management

We are currently developing an internal benchmarking report to enable us to identify any property management costs that are outside the norm, which can then be investigated further. In time, we hope to link these benchmarks to industry norms to better inform our decision-making.

During the year, we took a decision to tender all our major services, including security, cleaning, hygiene, electrical and garden services to fewer contractors. This will reduce the number of contractors being dealt with. It also enables us to systematise our dealings with these contractors more effectively.

We also realigned our utility management process, with the administration of utilities now outsourced to external contractors. We could then redirect internal resources to growing our sustainability focus, looking at enhancing our specialist non-core functions such as solar PV.

# Managing relationships

During the year, we continued developing our CRM system, using this information as a tool for improved decision-making throughout the organisation. For more information on this project, please see page 89.

# NATURAL CAPITAL

## What natural capital means to Redefine

We understand that nature underpins global wealth creation and that our properties are embedded in the environment. This includes all renewable and non-renewable environmental resources and processes that support current and future prosperity – we refer to this as 'natural capital'.

## Creating value

We realise that the activities associated with the built environment such as constructing, operating, occupying and demolishing buildings, lead to the depletion of natural capital resources and the production of large quantities of waste.

Being cognisant that the exhaustion of natural capital results in a negative global impact, and that our business model is heavily dependent on this capital, Redefine believes that it is our moral obligation, as well as sustainable business practice, to ensure that we reduce and mitigate negative impacts on our natural capital stocks.

Our environmental strategy, therefore, focuses on facilitating the reduction of the Company's environmental footprint while maintaining a positive effect on asset values and a decrease in vacancy rates. We also wish to share positive practices and influence our delivery partners, retailers and visitors towards greater sustainability activity.

ULTIMATELY, WE SEEK TO CREATE A MORE SUSTAINABLE OPERATING ENVIRONMENT FOR THE BENEFIT OF ALL.

## HIGHLIGHTS

**Black River Park's PV plant** phase 3 was commissioned, as well as Boulders phase 2 and a PV project at East Rand Mall.

Kicking off Redefine's **green star** rating journey on existing buildings

Total installed solar PV capacity of **4 MWp**

Completed an additional **2 600** smart metering installations

Launched **#OneSmallThing** as an internal sustainability campaign

Successful roll-out of a **standby generator** project to ensure security of electricity supply for key retail tenants

| CHALLENGES | OPPORTUNITIES |
|---|---|
| **Currency volatility is affecting the economic feasibility of projects such as the introduction of renewable energy**<br><br>**Influencing tenants to sign green leases committing to mutual disclosure and target setting** | The rise in administered prices, fast-progressing technologies, as well as the instability of electricity supply, continue to improve the business case for renewable energy and assist in bolstering the case for green leases for tenants. |
| **Balancing natural and financial capital trade offs. For example: when deciding to install backup generators in key buildings, it made commercial sense to offset the financial loss of load-shedding. However, this decision will reduce our natural capital** | We are continually pursuing viable means of producing alternative energy to counterbalance the adverse environmental effects of such measures.<br><br>Innovation and technology continue to open up improved ways to operate and manage our properties, especially in terms of water and energy efficiency, and providing quality spaces for our tenants. |
| **Ongoing negative consequences of a prolonged drought coupled with ageing infrastructure pose water security threats** | Awareness of water consumption, early detection of leaks using smart meters and recycling of water. |
| **Uncertain regulatory environment impedes ability to plan long-term sustainability interventions** | Foster stronger relationships with regulatory bodies to influence policy. |

# Reflecting on 2016

In our 2015 integrated report, we reported on certain priorities for our 2016 financial year.

| THIS IS HOW WE DID | Our performance | More information |
|---|---|---|
| Optimise energy management and efficiency opportunities in our existing buildings to remain competitive | Still in progress/ongoing | Page 98 to 101 |
| Continue to roll out smart electricity and water metering to better manage our usage patterns and unlock potential savings opportunities | Achieved target | Page 99 |
| Pursue further GBCSA existing building certifications | Still in progress/ongoing | Page 99 |

**KEY:** Achieved target · Still in progress/ongoing · Did not achieve target

# Priorities for 2017

- Better understand our water usage and implement enhanced **water management systems**
- Continue to pursue **green star ratings** on our developments and existing buildings
- Continue to encourage our tenants to adopt **green leasing and green procurement principles**
- Continue to **optimise energy and water use** in our existing buildings
- Continue to implement **renewable sources of energy**
- Better understand our **waste management footprint** and investigate opportunities to reduce waste-to-landfill

We are invested in a long-term asset class; taking a long-term perspective is in our DNA. We understand that the reckless use of our natural resources today will negatively impact our ability to create value in years to come. Conversely, by embracing sustainability as a core value, we are driven to seek out opportunities to deliver enduring value and mutual benefit to our stakeholders.

# Reducing our impacts

We operate in an environment where there are immediate constraints on the availability of resources, such as electricity, and growing concerns about future supply constraints of other natural resources, such as clean air and water. In this context, the case for more sustainable business practices is clear; driving our business to reduce our consumption of, or impact on, our natural resources is a logical strategy. We do this by pursuing the following:

## Why we focus on greening our buildings

**REDEFINE'S GREEN BUILDING STRATEGY SEEKS TO ACHIEVE TWO AIMS:**

1. Green buildings **ATTRACT TENANTS** as tenants seek modern spaces that reduce costs and create the right atmosphere to support employee productivity; and
2. Green buildings **RETAIN TENANTS** as they enjoy the space they occupy and benefit from reduced operating costs.

A study conducted by the Harvard T.H. Chan School of Public Health Centre for Health and the Global Environment indicates that green building design optimises employee productivity and cognitive function.

**GREEN BUILDINGS CAN DELIVER**

Decrease in waste output 70%

Reduction in energy use 30-50%

Reduction in water usage 40%

Decrease in carbon emissions 35%

Offices with access to daylight and operable windows experience an increase of up to

**18%** in productivity

### How we reduce our impacts through greening

During the year, Redefine implemented a number of optimisation projects resulting in annual savings of 2 092 555 kWh.

Redefine's estimated energy savings over the past year is almost half the energy savings over the past three years, demonstrating our commitment to reducing our impacts through greening (as per Global Real Estate Sustainability Benchmark (GRESB) categories).

| CATEGORY | ESTIMATED SAVINGS (MWh) |
|---|---|
| Building energy management systems upgrades/replacements | 353 |
| Installation of high-efficiency equipment and appliances | 3 174 |
| Installation of on-site renewable energy | 675 |
| Occupier engagement/information technologies | 114 |
| **TOTAL** | **4 316** |

For more information on our progress in reducing our impacts, please see our carbon results, which are disclosed in our SES.

## Why we certify

**Redefine registered as a member of the Green Building Council South Africa (GBCSA) in 2013** and focuses on building all new developments to a minimum green star rating level 4, as certified through the GBCSA's assessment criteria on design and as built basis.

We have pursued certification with the GBCSA because we believe it adds value to our buildings and therefore our business. Green building presents the following benefits:

- → Lower operating costs
- → Higher returns on assets
- → Enhanced marketability
- → Reduced liability and risk
- → Ability to attract and retain government and other premium tenants
- → Responsible investing
- → Increased productivity
- → Minimising the costs and impacts of tenant churn

To date, Redefine has received **14 GREEN STAR-RATED CERTIFICATIONS.** During the year, we also began the journey of pursuing green star ratings on our existing buildings

## Focusing on renewable energy

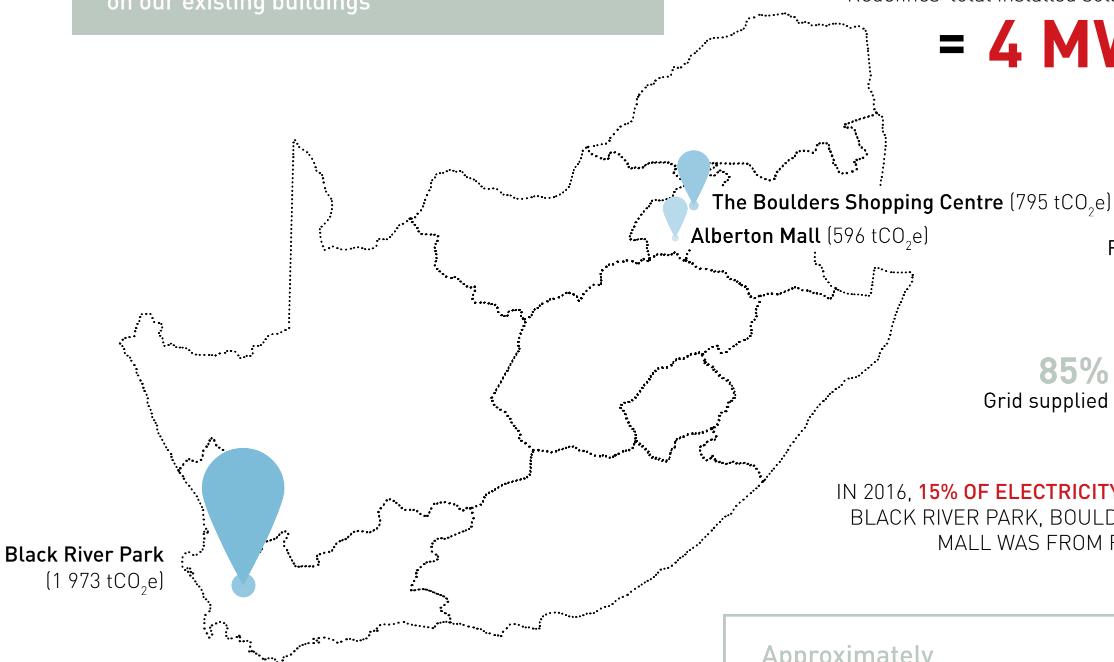
Renewable energy is also a clean source of energy that has a much lower environmental impact than conventional energy technologies and has a growing financial appeal due to the constant concerns of rising costs and the erratic availability of electricity in our South African context. In short, renewable energy is just more sustainable over the long term.

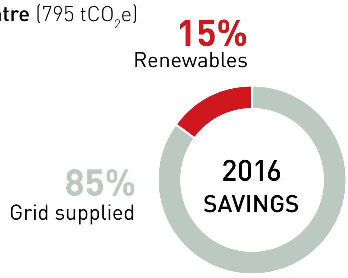
Solar energy currently represents the cheapest and most sustainable way to generate renewable electricity. The technology has also leapfrogged to such an extent that efficiencies are constantly improving as prices fall. As the panels use space on top of the commercial buildings, they shield it from the sun leaving it cooler, further lowering energy consumption.

During the year, Black River Park's PV plant phase 3 was commissioned, as well as Boulders phase 2 and a PV project at East Rand Mall. In the year to come, we will focus on the implementation of PV plants at Moreleta Park and Matlosana Mall.

Redefines' total installed solar PV capacity to date

**= 4 MWp**




IN 2016, **15% OF ELECTRICITY CONSUMPTION** FOR BLACK RIVER PARK, BOULDERS AND ALBERTON MALL WAS FROM RENEWABLE ENERGY

## Implementing smart metering

Redefine believes that our measurement and verification strategy is pivotal to the successful use of energy across our portfolio.

**Proper metering of electricity consumption is central to effectively managing the three main areas of utilities, namely:**

- → Energy efficiency and sustainability
- → Utility recoveries
- → Utility expenditure management

Approximately **2 600 smart meters** were deployed during 2016, bringing the total number of smart metering points in the portfolio to about **4 100**

We will continue with the roll-out of smart meters during 2017

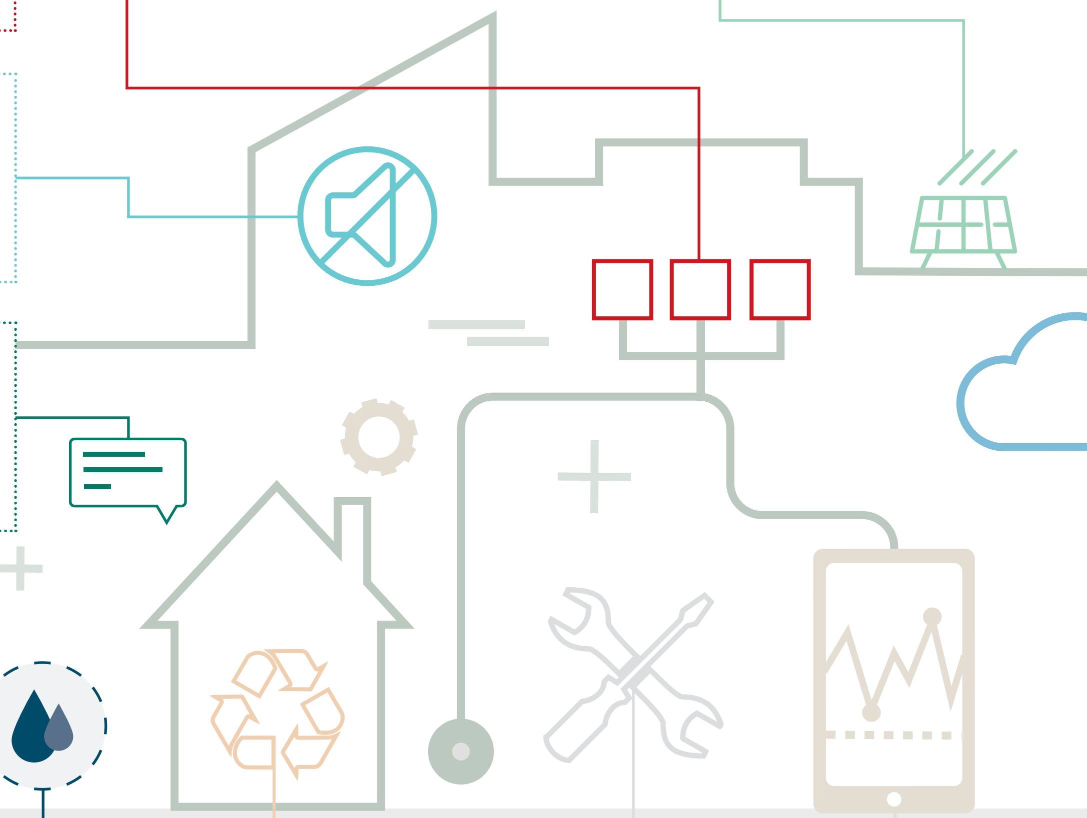
# Holistic green building approach

**Efficient heating, ventilation and air-conditioning (HVAC) systems**
Reduced use of harmful refrigerants. Installation of efficient equipment and systems such as variable speed drives or ice plants.

**Renewable energy sources**
Alternative energy sources reduce the carbon footprint of the building.

**Acoustics**
Improved acoustics increase occupancy comfort and can be achieved through quiet HVAC systems and the use of sound-absorbing materials.

**Green tenant guideline**
Guiding tenants to ensure the use of environmentally friendly and energy- and water-efficient products throughout the building.



**Water security, treatment**
Solutions to mitigate water security and quality risks.

**Water efficiency and recycling**
Optimise water usage through efficient equipment and recycling opportunities such as grey water.

**Waste-to-value opportunities**
Recycling and re-using waste to generate sources of heating, cooling or energy for the building while reducing waste-to-landfill.

**Metering and monitoring**
Installation of smart metering to identify energy and water savings opportunities and influence behavioural drivers.

**Operational efficiency**
Smart operations decrease the waste of natural resources and increases the life span of equipment.

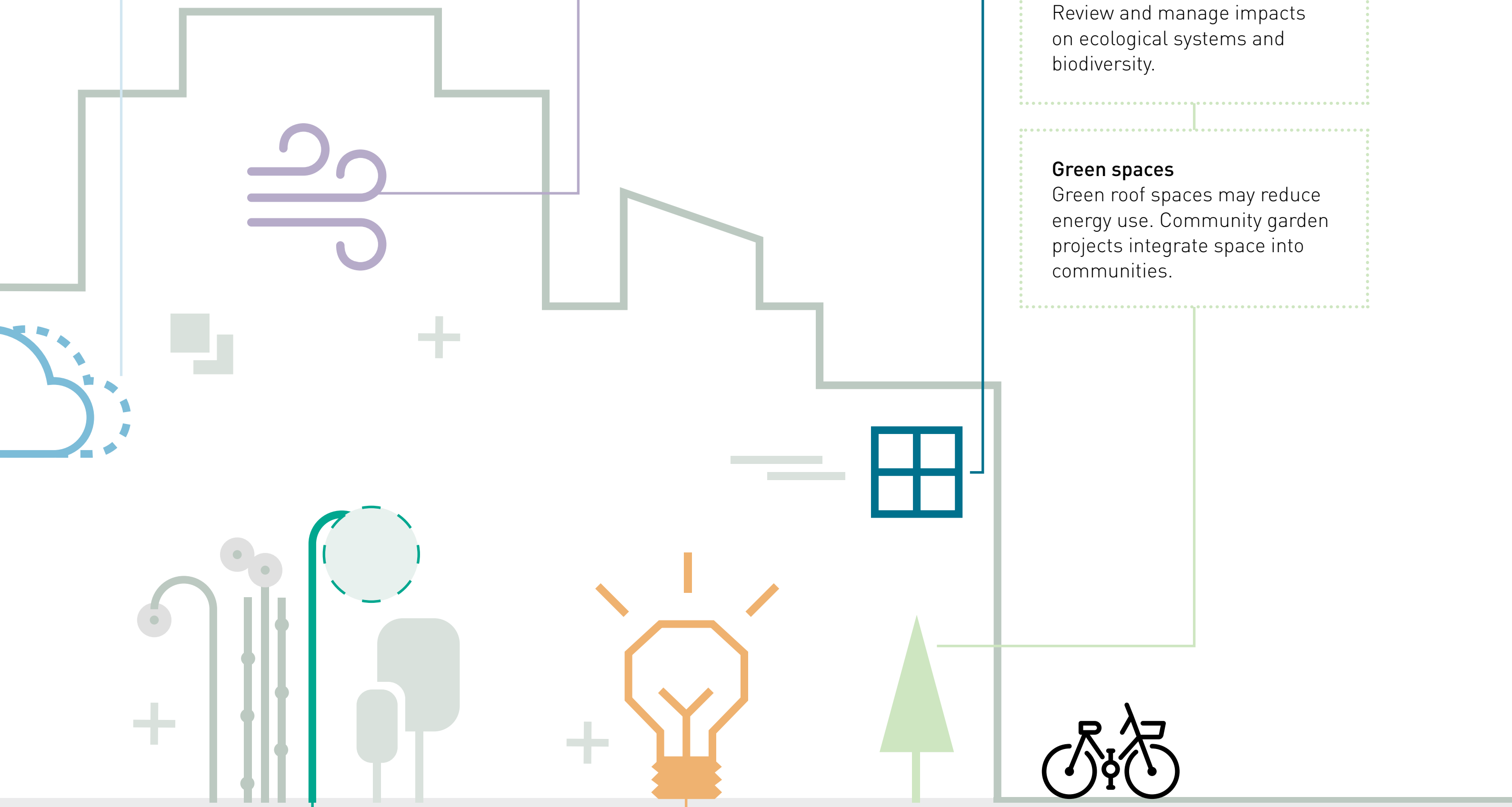
**Indoor air quality and thermal comfort**
Measurement of volatile organic compounds, $CO_2$, CO and degrees Celsius to ensure air quality. Improved air quality and thermal comfort result in greater occupancy productivity.

**Low-emitting materials**
Using non-toxic materials such as low volatile organic compounds paints improves air quality and environmental impact.

**Natural light**
Natural light reduces energy costs and enhances occupancy experience.

**Biodiversity**
Review and manage impacts on ecological systems and biodiversity.

**Green spaces**
Green roof spaces may reduce energy use. Community garden projects integrate space into communities.



**Green cleaning**
Using biodegradable products reduces the environmental impact of the building.

**Energy-efficient lighting**
Reduced energy costs and improved light quality for occupants.

**Alternative transport opportunities**
Reduced carbon emissions through the availability and access to shared and/ or alternative transport opportunities.

# SHAREHOLDERS' DIARY

| | |
|---|---|
| Notice of annual general meeting and summarised audited financial statements posted to shareholders | 30 December 2016 |
| Integrated report and annual financial statements available online | 30 December 2016 |
| Annual general meeting | 9 February 2017 |
| 2017 half-year end | 28 February 2017 |
| Summarised interim financial results for 2017 | 8 May 2017 |
| Interim dividend declaration | 8 May 2017 |
| 2017 financial year end | 31 August 2017 |
| Summarised annual financial results for 2017 | 6 November 2017 |
| Final dividend declaration | 6 November 2017 |

*Please note that these dates are subject to alteration*



# ADMINISTRATION

## REDEFINE PROPERTIES LIMITED

Incorporated in the Republic of South Africa
Registration Number 1999/018591/06
JSE Share Code RDF ISIN: ZAE000190252
Approved as a REIT by the JSE

### Registered office and business address

Rosebank Towers, Office Level 5, 19 Biermann Avenue,
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PO Box 1731, Parklands 2121
Telephone +27 11 283 0000
Email **investorenquiries@redefine.co.za**
**www.redefine.co.za**

### Independent auditors

KPMG Inc
85 Empire Road, Parktown 2193
Telephone +27 11 647 7111

### Company secretary

B Baker
Telephone +27 11 283 0041
Email bronwynb@redefine.co.za

### Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, Office Level 2, 15 Biermann Avenue,
Rosebank 2196
Telephone +27 11 370 5000

### Corporate advisor and sponsor

Java Capital
2nd Floor, 6A Sandown Valley Crescent, Sandton 2196
Telephone +27 11 722 3050

### Investor relations

Should you wish to be placed on the mailing list to receive regular 'breaking news' email updates, please send an email to **investorenquiries@redefine.co.za**

BLACK RIVER OFFICE PARK, WESTERN CAPE

# DEFINITIONS



| | |
|---|---|
| **AFS** | Annual financial statements |
| **AGM** | Annual general meeting |
| **Arrowhead** | Arrowhead Properties Limited, a company listed on the JSE |
| **ASX** | Australian Stock Exchange |
| **AUD** | Australian Dollar |
| **BBBEE** | Broad-based black economic empowerment |
| **BEE** | Black economic empowerment |
| **bn** | Billion |
| **Bps** | Basis points |
| **CBD** | Central business district |
| **CEO** | Chief executive officer |
| **Companies Act** | Companies Act, No 71 of 2008 (as amended) |
| **CPS** | Cents per share |
| **CRES** | Corporate Real Estate Solutions |
| **CRM** | Customer Relationship Management |
| **Cromwell** | Cromwell Property Group, a fund listed on the ASX |
| **CSI** | Corporate social investment |
| **Delta** | Delta Property Fund Limited |
| **EE** | Employment equity |
| **Emira** | Emira Property Fund Limited |
| **EPP** | Echo Polska Properties, listed on both the Luxembourg Stock Exchange and JSE |
| **ERM** | Enterprise risk management |
| **EVP** | Employee value proposition |
| **Fountainhead** | Fountainhead Property Trust |
| **GBCSA** | Green Building Council of South Africa |
| **GDP** | Gross domestic product |
| **GLA** | Gross lettable area |
| **GMR** | Gross monthly rental |
| **GRESB** | Global Real Estate Sustainability Benchmark |
| **HVAC** | Heating, ventilation and air-conditioning |
| **IFRS** | International Financial Reporting Standards |
| **IIRC** | International Integrated Reporting Council |
| **IT** | Information technology |

| | |
|---|---|
| JSE | Johannesburg Stock Exchange |
| King III | King Report on Corporate Governance for South Africa and the King Code of Governance Principles |
| KPIs | Key performance indicators |
| kWh | Kilowatt hour |
| Leaf | Leaf Property Fund Proprietary Limited |
| LPR | Licence plate recognition |
| LSE | London Stock Exchange |
| LTI | Long-term incentive |
| LTV | Loan-to-value ratio |
| MOI | Memorandum of Incorporation |
| MW | Megawatts |
| MWh | Megawatts hours |
| MWp | Megawatt peak |
| NAV | Net asset value |
| NGO | Non-governmental organisation |
| NOI | Net operating income |
| NTAV | Net tangible asset value |
| Pivotal | Pivotal Property Fund Limited |
| PV | Photovoltaic |
| Redefine/the Company/the Group | Redefine Properties Limited, a company listed on the JSE |
| REIT | Real Estate Investment Trust |
| Respublica | Respublica Student Living Proprietary Limited |
| RI PLC | Redefine International PLC, a company listed on both the JSE and LSE |
| STI | Short-term incentive |
| $tCO_2e$ | Tonnes of carbon dioxide equivalent |
| ZAR | South African Rand |