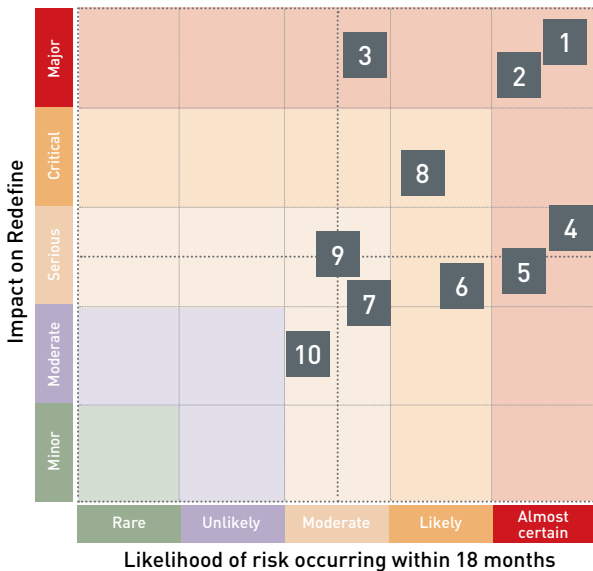


Section **02**

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.

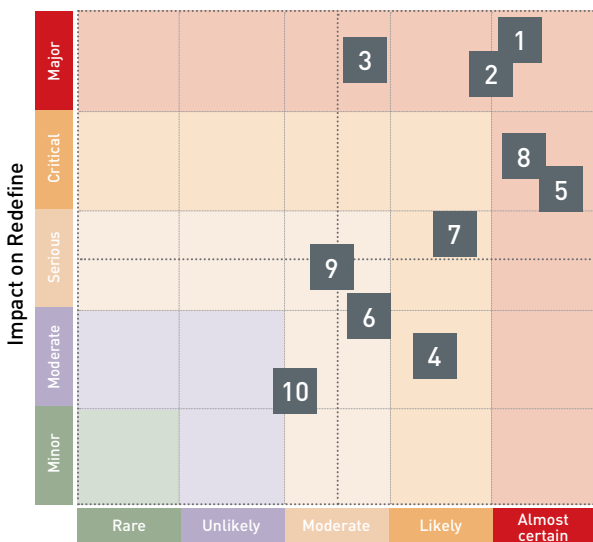
As part of the risk assessment process, risks are assessed over the short, medium and long term. The heatmaps below provide an overview of the assessment of the strategic risks considered from an inherent risk perspective (before considering mitigating efforts) and from:

**AN 18-MONTH TIME HORIZON**



Likelihood of risk occurring within 18 months

**A FIVE-YEAR TIME HORIZON**



Likelihood of risk occurring within five years

**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.

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 BBE 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
<ul style="list-style-type: none"> <li>→ Appropriate diversification of international and local assets and funding sources.</li> <li>→ Hedging of funding and income in place</li> <li>→ Spreading of debt maturity profile</li> </ul>	<p>BE AN INVESTMENT OF CHOICE</p>		
<ul style="list-style-type: none"> <li>→ Ensuring appropriate tenant selection and ongoing monitoring of tenant strength and effective credit management</li> <li>→ Ongoing assessment of the investment life cycle of the portfolio</li> <li>→ Appropriate diversification of international and local assets</li> <li>→ Increased focus on the development of a sound defensive asset base</li> </ul>	<p>BE AN INVESTMENT OF CHOICE</p> <p>BE A LANDLORD OF CHOICE</p>		
<ul style="list-style-type: none"> <li>→ Regular forecasting and monitoring of actual performance</li> <li>→ Conservative hedging policies</li> <li>→ Regular stakeholder engagement</li> <li>→ Long-term asset management plans</li> <li>→ Geographic diversification</li> <li>→ External benchmarking of executive remuneration</li> <li>→ Transparent reporting</li> </ul>	<p>BE AN INVESTMENT OF CHOICE</p>		
<ul style="list-style-type: none"> <li>→ Diversification of asset base</li> <li>→ Effective security programme</li> <li>→ Effective evacuation procedures</li> <li>→ Closer liaison with SAPS</li> <li>→ Insurance programme, including riot cover</li> <li>→ Health and safety function monitoring and oversight</li> </ul>	<p>BE A LANDLORD OF CHOICE</p> <p>BE A COMMUNITY PARTNER OF CHOICE</p>		
<ul style="list-style-type: none"> <li>→ Appropriate sector and geographical diversification of assets</li> <li>→ Exploration of alternative asset classes</li> </ul>	<p>BE A LANDLORD OF CHOICE</p> <p>BE A BUSINESS PARTNER OF CHOICE</p>		
<ul style="list-style-type: none"> <li>→ Implementation and monitoring of the BBBEE compliance strategy</li> <li>→ Empowerment Trust</li> </ul>	<p>BE A LANDLORD OF CHOICE</p> <p>BE AN EMPLOYER OF CHOICE</p> <p>BE A BUSINESS PARTNER OF CHOICE</p>		
<ul style="list-style-type: none"> <li>→ Education and training</li> <li>→ Oversight and monitoring</li> <li>→ Compliance framework</li> </ul>	<p>BE A LANDLORD OF CHOICE</p> <p>BE AN EMPLOYER OF CHOICE</p> <p>BE AN INVESTMENT OF CHOICE</p> <p>BE A BUSINESS PARTNER OF CHOICE</p> <p>BE A COMMUNITY PARTNER OF CHOICE</p>		
<ul style="list-style-type: none"> <li>→ Smart metering project roll-out</li> <li>→ PV solar and backup generators</li> <li>→ Enhancing relationships with local councils</li> <li>→ Location of properties in well-served areas</li> <li>→ Focus on building efficiencies to reduce consumption</li> </ul>	<p>BE A LANDLORD OF CHOICE</p> <p>BE A COMMUNITY PARTNER OF CHOICE</p>		
<ul style="list-style-type: none"> <li>→ Increased focus on the development of a sound defensive asset base</li> <li>→ Refurbishment and redevelopment programme</li> <li>→ Improve sustainability of existing buildings</li> </ul>	<p>BE A LANDLORD OF CHOICE</p> <p>BE AN INVESTMENT OF CHOICE</p>		
<ul style="list-style-type: none"> <li>→ Extending and improving lease portfolio</li> <li>→ Continuous review of portfolio</li> <li>→ Ongoing monitoring of tenant concentration</li> </ul>	<p>BE AN INVESTMENT OF CHOICE</p>	