

Our business model

We seek to actively manage our business activities and assess the impacts to ensure we enhance the positive and minimise the negative outcomes of our business model, thereby sustaining value for all our stakeholders.

OUR INPUTS | The resources and relationships we need

		Availability, quality and affordability of capitals
FC	R44.6 billion in equity (2019: R44.6 billion)	<p>Operating in a capital-constrained and costly environment means that prudent balance sheet management and careful liquidity planning to strengthen the balance sheet and lower our loan-to-value (LTV) is imperative to our sustainability.</p>
	R36.7 billion in debt (2019: R41.2 billion)	
MC	Direct local property portfolio of R65.4 billion (2019: R72.8 billion)	<p>High level of competition for quality assets combined with shifting consumer preferences due to COVID-19 necessitates a strategic approach to sectoral diversification and the exploration of alternative uses for existing property and asset classes.</p> <p>Focus on sectoral diversification versus geographical diversification necessitates the need to simplify the asset platform and to reduce currency exposure risk.</p> <p>Tenant retention is imperative to long-term sustainability – the COVID-19 tenant relief concessions impacted short-term income generation, but without tenants, Redefine ceases to exist.</p>
	International listed securities of R7.3 billion (2019: R12.7 billion)	
	Directly held international properties of R8.3 billion (2019: R9.9 billion)	
HC	445 permanent property and financial professionals (2019: 424)	<p>Shortage of experienced property skills and talent requires focus on growing talent and retaining our high performers in a competitive market.</p> <p>During the lockdown, maintaining jobs was a critical priority. No retrenchments or salary cuts were implemented as a result of COVID-19 lockdowns.</p> <p>As part of our COVID-19 recovery, we focused on three core attributes to ensure our people remained engaged:</p> <ul style="list-style-type: none"> ▫ Purpose to embed wellbeing and meaning into every aspect of work every day, optimising the power of individuals by harnessing employees' collective and complementary strengths to achieve a common goal ▫ Potential to harness what our employees are capable of achieving as individuals and within teams ▫ Perspective to view uncertainty as offering possibilities rather than threats – moving boldly into the future
	47 temporary employees (2019: 60)	
	72% of staff able to work remotely during hard lockdown	
SRC	Deepen communication and collaboration to strengthen relationships with our key stakeholders:	<p>Low trust environment results in businesses needing to demonstrate behaviour that progressively earns trust, which can be easily lost if not carefully managed.</p> <p>The health and safety of our stakeholders remains our highest priority. We continue to apply the guidelines issued by the World Health Organisation and the South African government in all our buildings. We continue to work with regulators, industry bodies and tenants to ensure that we are continuously enhancing our protocols to ensure our stakeholders remain safe.</p>
	<ul style="list-style-type: none"> <li style="margin-right: 10px;"> Investors and funders <li style="margin-right: 10px;"> Employees <li style="margin-right: 10px;"> Tenants <li style="margin-right: 10px;"> Property brokers <li style="margin-right: 10px;"> Suppliers  Communities 	
IC	Integrated strategy	<p>Pace of change necessitates increased focus on innovation and agility and generation of intellectual property to stay ahead in a competitive and constantly evolving environment.</p>
	Strong brand	
	Innovative thinking and ability to adapt to change	
	Robust governance structures centred on ethical conduct	
NC	100 registered trademarks	<p>Cost and availability of water and electricity continue to support the business case for resource-efficient buildings.</p>
	2.6 million litres of water used in our buildings (2019: 3.1 million litres)	
	560 386 MWh of electricity used (2019: 656 768 MWh)	
	17% of properties by gross lettable area (GLA) located in high/extremely high flood risk areas*	

* Using the WRI aqueduct riverine and coastal flood risk map.

OUR BUSINESS ACTIVITIES | What we do

Our business activities are geared to ensure we secure long-term leases with blue-chip tenants to provide sustained value creation for all our stakeholders. We are committed to monitoring and improving the ESG-related impacts of our business activities and investment decisions.

Our focus is on real estate and related investments – not a particular sector. While **COVID-19** has accelerated trends already underway, it has not fundamentally changed what we do. Instead, it has forced us to look at and adapt more rapidly to a changing context.



ENABLING SERVICES

The activities that grow the value of our property portfolio are underpinned by support services that enable the business to function in a manner that creates value in the short, medium and long term.

CAPITAL MANAGEMENT

We have a disciplined approach to capital management. In an environment of scarce and costly capital, we evaluate the prospective returns of each capital deployment opportunity to determine our allocation of capital. Underpinning our business activities are the choices we make about sourcing, deploying, managing and, at times, recycling our manufactured capital in line with our investment strategy to generate sustained cash flow.



MANAGING

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



ACQUIRING

Our strategy is to grow and improve the quality of our portfolio by acquiring high-quality buildings with long-term leases in place, which offer secure cash flows and negligible vacancy rates.



DEVELOPING

Driven by demand, opportunity and the need to remain relevant, we develop innovative, operationally efficient and cost-effective buildings and redevelop existing properties to extend value creation.



DISPOSING

We sell assets that have reached the end of their investment cycle for us, and recycle the capital into opportunities that have better long-term capital growth prospects once all other alternative uses for the property have been exhausted.

OUR OUTPUTS | What we produce

OUR PRODUCT

Quality real estate investments, adding value to society, that deliver sustained cash flow

Total portfolio GLA of **4.4 million m²**
(2019: 4.5 million m²)

OUR WASTE AND EMISSIONS

Total greenhouse gas (GHG) emissions of **581 283 tCO₂e**
(2019: 713 258 tCO₂e)

8 689 tonnes of waste generated from internally managed waste at 39% of our properties by GLA
(2019: 7 674 tonnes for 30% of GLA)

Refer to **page 104** for a discussion on what value means for our stakeholders. To understand how we strive to enhance our positive outcomes and ameliorate our negative outcomes, please refer to our value creation sections, starting on **page 74**.

Our business model

CONTINUED

OUR OUTCOMES | How we create, erode and preserve value for our stakeholders and the broader community

Investors and funders	2020	2019
Full-year distributable income per share of 51.5 cents (2019: 101 cents)	▼	▲
Reduction in non-recurring distributable income of R267 million (2019: reduction of R106 million)	▲	▲
LTV ratio of 47.9% (2019: 43.9%)	▼	▲
Total return to shareholders of -18.8% (2019: 7.1%)	▼	▼
Moody's credit rating downgraded to Ba2, in line with the sovereign rating downgrade (2019: maintained)	▼	■
Employees	2020	2019
Annual employee remuneration at R202.2 million (2019: R175.3 million)	▲	▲
13 172 man-hours spent on training and development (2019: 14 486 man-hours)	▼	▼
No salary increases for FY2021 for employees earning over R200 000	▼	N/A
No short-term incentives (STIs) awarded for FY2020	▼	N/A
Total staff turnover 14.9% (2019: 22.3%)	▲	▼
Staff complement increased by 1.7% (2019: 6%)	▲	▲
244 learners have graduated since 2013 (2019: 198)	▲	▲
Tenants	2020	2019
Tenant retention: 92.1% (2019: 93.3%)	▼	▲
R318.0 million granted in rental relief and concessions during 2020	▲	N/A
Occupancy rate reduced to 92.7% (2019: 95.5%)	▼	■
Increased number of Green Star SA-rated buildings to 101 (2019: 74)	▲	▼
25.9 MWp of renewable energy capacity (2019: 23.7 MWp)	▲	▲
GLA space of 4.4 million m² provided (2019: 4.5 million m ²)	▼	▼
Property brokers	2020	2019
23.2% (2019: 28.2%) leasing deals facilitated by brokers by number of deals	▼	▲
R15.6 million (2019: R31.8 million) paid out in commission to brokers	▼	▲
Suppliers	2020	2019
Enhanced ethical standards through a supplier code of conduct	▲	■
R40 million spent on labour component of supplier contracts during COVID-19 lockdown	▲	N/A
100% of procurement spend towards empowering suppliers (2019: 97%) on total measured procurement spend	▲	▲
R540 million spent on supplier development (2019: R593.2 million)	▼	▲
R57 million spent on enterprise development (2019: R54 million)	▲	▲
Communities	2020	2019
R5.2 million contribution to community engagement through corporate social investment (CSI) initiatives (2019: R8 million) and space to the value of R3.9 million	▲	▲
R2.5 million invested in CSI programmes based on Challenge Convention feedback	▲	▲
1 579 mentees matched with mentors in The Mentorship Challenge (2019: 740)	▲	▲
Level 3 broad-based black economic empowerment (B-BBEE) rating (2019: level 3)	■	■

▲ Positive ▼ Negative ■ Neutral