

## RESILIENT REIT LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2002/016851/06)

JSE share code: RES ISIN: ZAE000209557

Bond company code: BIRPIF

(Approved as a REIT by the JSE)

(“Resilient” or “Company”)



## GENERAL OVERVIEW AND UPDATE

### INTRODUCTION

Some six months ago, on 13 December 2018, Resilient published a SENS announcement summarising key events for Resilient during 2018, clarifying matters that remain open and those considered resolved, and updating the market on the outcome of engagement by an independent board sub-committee (the “Committee”) with a range of stakeholders.

As regards events subsequent to December 2018, the Committee and the board of directors (the “Board”) have noted that in March 2019 the FSCA announced that it had decided to close its insider trading case relating to shares in Resilient and on 24 May 2019 Fortress REIT Limited (“Fortress”) announced the outcome and its board’s response to the findings of the PwC report, made available on its website (which Resilient refers to below as the “PwC findings”).

### KEY ACTION ITEMS FOR RESILIENT THROUGH 2018 AND 2019

Resilient sets out below its table of action items updated to be current to the date of this announcement by the additional wording that appears indicated by an asterisk (\*):

Matter or concern	Resilient response	Status
Cross-shareholding with Fortress	Addressed by <i>in specie</i> distribution of Resilient’s Fortress B shares.	Resolved
Allegations that Resilient’s directly held properties were over-valued	Resilient appointed new independent valuers to value all its properties as at 30 June 2018, resulting in the Company’s South African portfolio being valued upwards by 3.9%, as further detailed in the June 2018 annual financial statements.	Resolved
Allegations that the share activity of Resilient subsidiaries, executives and their associates, and the Siyakha Trusts was manipulative	14 months of share trading activity has been independently reviewed by Mr Fakie, who has exonerated Resilient, its executives and their associates, and the Siyakha Trusts, based on the evidence available to him. One stakeholder has asked for the review period to be extended, but absent any evidence indicating any wrongdoing, the Committee does not consider this request justified.  * Resilient notes the outcome of the PwC report: “Based on their review of (1) share trades by Fortress in Resilient Stable shares, (2) movements in the relevant share prices, (3) share trade volumes of Resilient Stable Companies and (4) SENS announcements by, the Resilient Stable companies, PwC found no evidence of market manipulation or insider dealing by Fortress in	Resolved to the best of Resilient’s ability given the information available to it

	<p>relation to those companies' shares, in contravention of the FMA.”</p> <p>“...PwC found that there was no evidence of market manipulation or insider dealing in relation to Fortress shares, in contravention of the FMA, by any of the Siyakha Trusts.”</p>	
Allegations relating to third-party share dealings	The investigation of these allegations can only be undertaken by the FSCA. The chairman of Resilient has written to, and will as appropriate continue to liaise with, the FSCA offering every assistance with its investigation, as well as periodically communicating market and stakeholder concerns that the remaining investigation should be resolved as urgently as is feasible and requesting periodic meaningful updates.	Ongoing
Accounting related to the Siyakha Trusts	Group results have been restated reflecting consolidation of the Siyakha Trusts.	Resolved
Distributable earnings derived from loans to the Siyakha Trusts	The decline in the price of shares held by the Siyakha Trusts has resulted in the reduction of their net asset value. For so long as the Siyakha Trusts' total liabilities exceed the value of their total assets Resilient will, for purposes of calculating its distributable earnings, recognise interest accrued on the loans advanced to the Siyakha Trusts only to the extent that the accrued interest is matched by dividends declared for the same period in respect of the shares held by the Siyakha Trusts. Resilient has updated its published distribution guidance on this basis.	Resolved
Restructure of relationship with the Siyakha Trusts	* The restructure of the Siyakha Trusts into separate ownership vehicles for Resilient and Fortress has been achieved. On 20 May 2019, Resilient posted a circular to shareholders regarding a proposal to acquire all the shares held by The Resilient Empowerment Trust (“the Trust”), being 52 182 504 Resilient shares and 7 474 707 Fortress B shares, in full settlement of the loans advanced by the group to the Trust. If this is not approved by Resilient shareholders, the Trust will remain a shareholder in Resilient, albeit with a liability due to Resilient that substantially exceeds the value of its assets.	* Resolved, with the pending proposal subject to shareholder approval
Establishment of an independent whistle-blower hotline	<p>An independent whistle-blower hotline has been established, which refers all allegations it receives to the chair of the Board. Only one complaint has been received via this hotline to date, relating to a Resilient SENS announcement on 5 February 2018 and misconstruing information provided regarding share trades by the Siyakha Trusts. A response has been provided by the chair to the complainant.</p> <p>* Up to the date of this announcement, no further queries have arisen.</p>	Resolved

Board composition	* The Board has been reconstituted by one resignation, one retirement, four new appointments of independent non-executives (including candidates nominated by shareholders) and the appointment of a new chair. In addition, two of the newly appointed independent non-executive directors were appointed to the audit committee with David Brown being appointed as the new chairman.	Resolved
Capital raising	The report by Mr Fakie following his independent review dealt with the processes followed in the implementation of the Resilient bookbuild in August 2017 and the considerations and process for the allocation of shares to participants. In addition, the Committee has reviewed the processes followed by the bookrunner, Java Capital, in all three of the bookbuilds undertaken by Resilient since 2014 and is satisfied that the processes and allocations, even though unregulated, were appropriately and fairly considered.	Resolved
Property transactions	* With the release by Fortress of the PwC findings, the Committee has not been given any reason to consider there to be any misconduct or wrongdoing relating to Resilient on the part of any Resilient director or employee regarding historic property transactions referred to in the allegations.	* Resolved
B-BBEE compliance	<p>Stakeholders queried the compliance of the Siyakha Trusts with applicable broad-based black economic empowerment regulations. Over the years, Resilient has been advised by external consultants who assessed the compliance of the Siyakha Trusts with the applicable B-BBEE codes, particularly in periods when the codes were amended. This advice is available to the Committee and does not indicate any instances of non-compliance. While the Siyakha Trusts may be compliant with the respective legislation which makes them eligible to be recognised as a B-BBEE shareholder of Resilient, their current negative net asset value has impacted its overall recognition for purposes of the ownership scorecard and Resilient expects this to continue to negatively impact its B-BBEE rating.</p> <p>* In light of the advice recently provided by the Company's rating agent that the Company is now rated non-compliant as a result of the circumstances relating to the Siyakha Trusts, the Company will give consideration to its B-BBEE status once the result of the vote put to its shareholders is known.</p>	* Resolved
Company policies governing directors' dealings	Resilient has strong controls in place for the disclosure of directors' interests and dealings in Resilient shares, which comply with the JSE Listings Requirements.	* Resolved

	<p>* The Board has expanded these policies to require disclosure by directors (to the chairman) of intended trades in the shares of companies in which the Company is invested, with the intention of identifying potential conflicts. In addition, the Board has noted that Resilient’s management does not currently own any retail properties and has adopted a policy precluding management from direct investment in retail properties without prior Board approval.</p>	
<p>Resilient responses to false and misleading content of analyst reports, commentary and press coverage</p>	<p>* In March 2019, Resilient provided its analysis of various reports and commentary to the FSCA for investigation of whether the content of the reports and commentary constitutes market abuse in the form of false, misleading or deceptive statements in respect of Resilient’s shares or in respect of the Company’s past or future performance. The FSCA has confirmed to Resilient that the matter is under investigation.</p> <p>In addition, Resilient has instructed and briefed media law experts regarding what action, if any, would be achievement-orientated regarding the many examples of press coverage that do not meet the requirement for truthful, accurate and fair reporting contained in the Code of Ethics and Conduct for South African Print and Online Media, adopted by The Press Council of South Africa.</p>	<p>Ongoing</p>

## GENERAL

Having considered the extensive remedial actions taken, the results of the investigations performed, and the feedback received from stakeholders, the Committee considers the only remaining open matters to be the FSCA investigations of third-party share dealings and of possible market abuse in the form of false, misleading or deceptive statements relating to Resilient or its shares including arising from third-party commentary and reports, as well as the Committee’s consideration of whether any action should be taken regarding the nature of the press coverage once legal advice has been received and the FSCA investigations have been concluded. The Committee awaits the conclusion of these investigations and remains committed to full transparency in addressing any findings that may impact the Company or its stakeholders.

Shareholders will be kept informed of developments, if any, by further announcement.

28 May 2019