



Stor-Age Property REIT Limited
Incorporated in the Republic of South Africa
Registration number 2015/168454/06
Share Code: SSS ISIN ZAE000208963
Approved as a REIT by the JSE
(“Stor-Age” or “the Company” or “the Group”)

FURTHER DETAILS IN RESPECT OF THE PROPOSED CONDITIONAL SHARE PLAN

Shareholders are referred to the circular distributed by the Company on 21 January 2019 containing details in respect of the proposed Stor-Age Conditional Share Plan (“the CSP”) (“the Circular”) and including a notice of general meeting, convening a general meeting of shareholders to be held on Tuesday, 19 February 2019 at 10:00 at the offices of the JSE, 155 Campground Road, Newlands, 7700 for the purposes of approving the CSP (“the General Meeting”), a copy of which is available on the Company’s website <https://investor-relations.stor-age.co.za/news-resources-circulars>.

Further thereto and ahead of the General Meeting, and following an extensive shareholder engagement process, shareholders are advised of the following additional information pertaining to the CSP:

Participants

The Company’s remuneration committee supports broad equity participation across the business. All permanent employees are eligible to participate in the CSP, subject to the discretion of the remuneration committee. Although primarily intended for senior management and executives, participants will include operations managers at a property level as well as staff designated at a mid-management level, who are integral to the Company’s growth. To be considered for participation, an employee must have been employed by the Group for a minimum period of 12 months (unless exceptional circumstances apply) and have achieved an above-average performance rating as part of the annual performance appraisal process.

Award components

As disclosed in the Circular, the CSP shall make use of -

1. Performance shares, the vesting of which shall be subject to the satisfaction of performance conditions and continued employment for the vesting period; and
2. Retention shares, the vesting of which shall be subject to the satisfaction of continued employment for the vesting period.

The retention share component will not exceed 25% of the total award, with the remainder being performance shares.

Allocation levels

The proposed allocation levels are set out below for the first award:

Category	Award as a % of Total Guaranteed Pay ("TGP")
Executive directors (note 1)	100%
Executive management	100%
Senior management	60-70%
Mid-level management	40-60%
Other staff	20-25%

Note 1: Executive directors' remuneration for the year ending 31 March 2019 of R1.8 million p.a. each is considered to be low relative to market related salaries offered by the Company's peers. The remuneration committee therefore proposes the award be based on a more market related TGP, albeit still at the low end, of R2.25 million p.a. for each executive director. The executive directors currently do not receive any short-term incentives.

The executive directors will submit nominations to the remuneration committee for executive management and senior management awards and will request that line managers (finance, operations, sales and marketing, human resources and property) submit nominations for staff in their respective functional areas. Once nominated by line managers, the executive directors will consider the merits of including the nominated individuals and submit the proposed participants to the remuneration committee for consideration. The remuneration committee will consider the proposal, and the level of awards, and may either request amendments to be made and/or approve or reject the proposal.

Malus and clawback provisions

Malus and clawback provisions will be set out in the award letter. Malus provisions apply before awards or remuneration have vested or have been paid to an employee, whilst clawback provisions apply to awards or remuneration that have already vested or been paid to an employee.

Based on the shareholder engagement process, it has been suggested that these should be incorporated into the rules of the scheme. An amendment to the scheme rules will be considered at the forthcoming annual general meeting.

Plan limits

The overall limit is 8 668 544 shares (approximately 2.5% of shares in issue) with the maximum number of shares that may be awarded to any particular participant under the CSP, being limited to 3 467 417 shares (approximately 1.0% of shares in issue).

It is anticipated that the first award will be made immediately post the approval of the CSP in respect of the 2018/19 financial year. The first award is anticipated to be 1.25 million shares.

The second award (in respect of the 2019/20 financial year) will be made post the finalisation of the 2019 annual results.

An annual limit of 0.5% of shares in issue will apply to the awards made in any one period.

Vesting

The performance period for the performance shares will be three years, which will run concurrently with the Company's financial year end. The employment period for the performance shares and/or retention shares will be three years from the date of the award, except for the first award which would be three years and six months from the date of the award.

The portion of the performance shares that will vest at each vesting date will be as follows:

- Threshold achievement of performance (the minimum level of performance for vesting of any incentive) – 50% vesting.
- Target achievement of performance (the level of performance for payment of an on-target incentive) – 100% vesting.
- Stretch (a level of performance representing exceptional performance in the context of the current business environment) – 150% vesting.

Performance conditions

Financial measures – 75%

Performance condition	Description	Weighting
Distribution per share (“DPS”) growth (relative measure) <i>DPS growth measured relative to the South Africa Listed Property Index (“SAPY”) (adjusted for any anomalies – e.g. exclusion of Resilient stable) or comparable index</i>	Threshold: 5% outperformance On-target: 15% outperformance Stretch: 25% outperformance	35%
DPS growth (absolute measure) <i>DPS growth measured against South Africa Consumer Price Index (“CPI”) + margin</i>	Threshold: CPI + 2.25% On-target: CPI + 2.75% Stretch: CPI + 3.25%	35%
Net asset value (“NAV”) growth <i>NAV growth measured against weighted United Kingdom and South Africa CPI + margin</i>	Threshold: CPI + 2.0% On-target: CPI + 2.5% Stretch: CPI + 3.0%	15%
Loan to value ratio	Threshold: 35-40% On-target: 30-35% Stretch: Less than 30%	15%

The remuneration committee will be responsible for determining an appropriate margin relative to CPI taking account of prevailing market conditions, independent forecasts and external advice where necessary.

For selected operations managers at a property level and area managers responsible for a group of properties, the performance conditions will be a combination of the above DPS measures (30%) and revenue/net operating income performance targets (70%) specific to the property (or group of properties in the case of area managers) that they manage. This will ensure that the performance conditions are more relevant and specific to their roles.

Non-financial measures – 25%

These may include, *inter alia*:

- Determining strategy and providing strategic guidance throughout the Group in accordance with the Company's 5-year strategic plan;
- Implementing an international expansion strategy in accordance with the Company's 5-year strategic plan;
- Identifying suitable investment and development opportunities, and executing these in accordance with the property strategy;
- Implementing the Group's operations strategy including the development and execution of the digital and technology strategy;
- Ensuring good corporate governance is entrenched throughout the Group;
- Ensuring that financial reporting and shareholder communication are carried out in a transparent, accurate, concise and timely manner;
- Implementing sustainable practices such as energy efficiency, renewable energy generation, rainwater harvesting and storm water management and conservation;
- Maintaining and retaining, a committed and motivated workforce.

The executive directors present a detailed 5-year strategic plan to the board for approval which forms the basis of the Company's strategy. The strategic plan sets out the framework for the Company's growth and specific action plans are to be taken across the various functional areas of the business. The property strategy, setting out the detail of opportunities and growth targets, is a fundamental component of the strategic plan. The strategic plan, and the level of progress, is reviewed on an ongoing basis at board meetings.

The executive directors operate a flat structure, thus certain responsibilities overlap. Individual Key Performance Areas ("KPA's") would also be agreed with each executive director relevant to their respective roles. There will be approximately 10 KPA's (including the KPA's listed above) for each executive director with an assigned percentage weighting depending on the remuneration committee's assessment. The following scores will apply at the various levels:

- Threshold: 70% score
- On-target: 80% score
- Stretch: 90% score

For other staff, scores will be determined by reference to their individual KPA's which are set and agreed upon annually for each employee as part of the annual performance appraisal process. The Company uses a "1-10" rating scale for each employee KPA and then an overall rating for the employee's performance. The following ratings will apply at the various levels:

- 6 overall rating: employee achieved the required standards (threshold)
- 7-8 overall rating: employee exceeded the required standards (on-target)
- 9-10 overall rating: employee achieved exceptional performance (stretch)

Cape Town
12 February 2019

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