



# ACCOUNTABILITY AND SUSTAINABILITY

CORPORATE GOVERNANCE  
AUDIT AND RISK MANAGEMENT REPORT  
REMUNERATION COMMITTEE REPORT  
SOCIAL AND ETHICS COMMITTEE REPORT  
INVESTMENT COMMITTEE REPORT  
ACTING SUSTAINABLY

# ACCOUNTABILITY AND SUSTAINABILITY

## CORPORATE GOVERNANCE

Stor-Age is committed to sound ethical standards and the principles of good corporate governance.

The board is ultimately responsible for guiding our strategy and for approving policies and practices that ensure we conduct business according to the company's Core Values of Excellence, Sustainability, Relevance

and Integrity. It does this within an appropriate framework of governance and oversight to ensure stakeholder interests are safeguarded.

## BOARD FOCUS AREAS FOR THE PAST FINANCIAL YEAR

Board focus areas	Actions undertaken by the board
Transformation	The board invested resources to better understand the newly legislated Property Sector Code, and subsequently developed a three-year Transformation Plan to guide its transformation objectives. The board appointed a transformation committee that comprises senior and middle management to oversee implementation of the plan.
Diversity	The board ran a recruitment process to appoint two new female members to the board.
International expansion	The board appointed Investec Corporate Finance to advise on the group's move into the UK market.
Disciplined execution of the five year strategy to 2020	The board oversaw the continued execution of the group's property growth strategy. This includes researching and formulating a medium-term property growth strategy for the UK market as well as initiating discussions with the senior management team to begin formulating its thinking towards 2025.

## FROM KING III TO KING IV™

We implemented King IV™ after thorough consideration of the recommended practices. As a relatively young and growing business, we endeavour to evolve our corporate governance practices, policies and procedures in tandem with our business, taking guidance from the recommended practices outlined in King IV™.

Our application of King IV™ is set out in a separate document available on our website – [investor-relations.stor-age.co.za](http://investor-relations.stor-age.co.za).

This document provides high-level references to our disclosures per principle (including non-compliance, where relevant).

Overall, the board is satisfied with the application of the principles and believes that it effectively discharges its responsibilities to achieve the good governance outcomes of an ethical culture, good performance, effective control and legitimacy with stakeholders.

# CORPORATE GOVERNANCE (continued)

## GOVERNANCE STRUCTURE

The board is ultimately fully responsible for the strategic direction, control and management of the company and is satisfied that it has fulfilled its responsibilities according to its charter for the year. To assist it in fulfilling these responsibilities, the board has appointed subcommittees.



### Roles and responsibilities

Assists in overseeing integrated annual reporting and ensuring the financial integrity of the annual financial statements and other financial reports. This includes oversight of external audit, assurance and the effectiveness of the finance function	Ensures adoption of a fair and transparent remuneration policy	Monitors compliance with the company's social and ethical responsibilities, including social and economic development, labour and employment, the environment, stakeholder engagement and good corporate citizenship	Assists with decision-making regarding the acquisition, development or disposal of property assets
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### Focus areas during the year

Implementation and adherence to King IV™	Conducted a salary benchmarking exercise	Research and formulate the Transformation Plan	Local market acquisitions and developments; international expansion and structuring
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### Independent non-executive directors

4/4	2/3	2/4	1/4
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\* Non-executive director | \*\* Independent non-executive directors | ^ Effective 2 May 2018

<sup>1</sup> Replaced by Kelly de Kock effective 1 August 2018

For more information on the qualifications and experience of subcommittee members, refer to page 43.

The board exercises control through a governance framework. This includes reviewing detailed reports presented to it and its subcommittees, and oversight of our continuously updated risk management programme to ensure effective management and control of the risks facing the business. The board and subcommittee structure is supported by appropriate internal governance practices and procedures. These promote an efficient, objective and independent decision-making culture that considers the interests of all stakeholders.

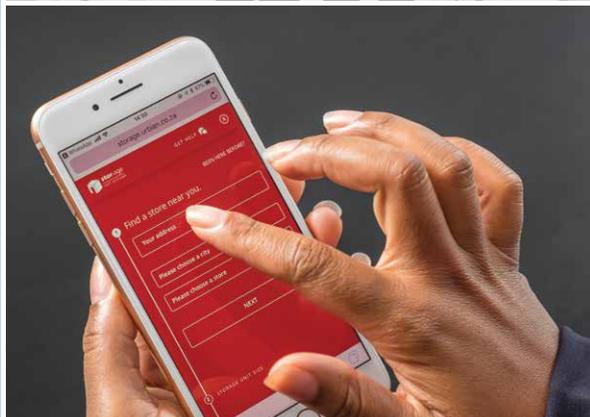
The terms of reference of the board and its subcommittees deal with such matters as corporate governance, compliance, directors' dealings in securities, declarations of conflicts of interest, board meeting documentation, and procedures for the nomination, appointment, induction, training and evaluation of directors.

At board level there is a clear division of responsibilities and an appropriate balance of power and authority.

No individual has unfettered powers of decision-making or dominates the board's deliberations and decisions. The board regularly reviews the decision-making authority given to management and those matters reserved for decision-making by the board.

The role and responsibilities of the chairman and the CEO are clearly defined and distinct:

- The CEO is responsible and accountable for the overall operations of the group and implementation of the strategy and objectives adopted by the board.
- The CEO's notice period is two months and there are no contractual conditions related to the CEO's termination. The CEO has no other professional commitments outside of Stor-Age.
- The independent chairman is responsible for ensuring proper governance of the board and its subcommittees, ensuring that the interests of all stakeholders are protected, and facilitating constructive engagement between the executives and the board. The chairman does not chair any other listed company.



# CORPORATE GOVERNANCE (continued)

## BOARD AND SUBCOMMITTEE MEETINGS

The table below sets out the board and committee meetings held during the reporting period and the attendance at each:

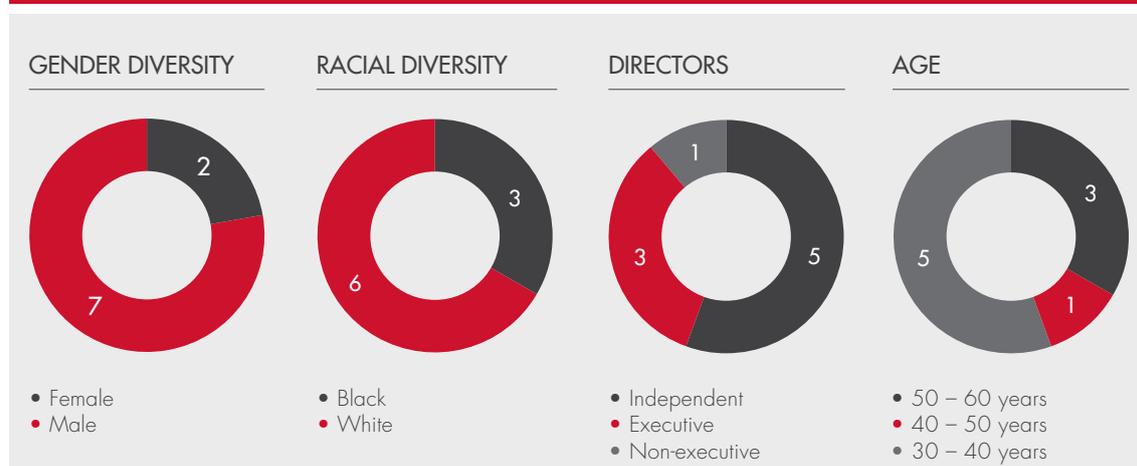
Director	Status	Sub-committees	Meetings attended	Meetings eligible	% attendance	Board	Audit and risk committee	Social and ethics committee	Investment committee	Remuneration committee
Paul Theodosiou** (Chairman)	N-E	ARC; RC; IC	14	14	100%	5	3	n/a	5	1
Graham Blackshaw*	N-E	IC; SEC	12	12	100%	5	n/a	2	5	n/a
Gareth Fox**	N-E	ARC; RC	7	9	78%	4	3	n/a	n/a	1
Sello Moloko**	N-E	ARC; SEC	9	10	90%	4	3	2	n/a	n/a
Gavin Lucas	Ex	IC; SEC	11	12	92%	5	n/a	2	4	n/a
Stephen Lucas	Ex	RC	6	6	100%	5	n/a	n/a	n/a	1
Steven Horton	Ex	IC	10	10	100%	5	n/a	n/a	5	n/a
<b>Actual attendance</b>			69			33	9	6	19	3
<b>Eligible attendance</b>				73		35	9	6	20	3
<b>% attendance</b>				95%		94%	100%	100%	95%	100%

\* Non-executive director

\*\* Independent non-executive director

## COMPOSITION OF THE BOARD

The board is satisfied that it consists of an appropriate mix of individuals to ensure an adequate level of knowledge, skills and expertise – enabling it to contribute meaningfully to the management of the company. However, it seeks to improve diversity further.



## BOARD SKILL SET AND EXPERTISE (NUMBER OF DIRECTORS)

 <b>8</b> Finance	 <b>6</b> Corporate governance
 <b>5</b> Mergers and acquisitions	 <b>6</b> Strategy
 <b>4</b> Property (management and development)	 <b>4</b> Stakeholder engagement
 <b>3</b> Construction	 <b>6</b> Environmental laws and legislation

In terms of tenure, all board members as at 31 March 2018 were appointed to the board in November 2015 following the company's listing on the JSE. Only the executive directors were involved in the operations of Stor-Age prior to the listing.

“ To reduce gender- and race-related under-representation by 2021, Stor-Age developed a three-year Transformation Plan. This plan will also assist us to achieve compliance with the recently amended Property Sector Code, and outlines ten key milestones to drive transformation in the business. ”

A highlight post year end was the appointment of two new black female board members – Phakama Mbikwana and Kelly de Kock. Both joined the board as independent non-executive directors, effective 1 May 2018. Phakama Mbikwana joined the group's social and ethics committee. Kelly de Kock will join the audit and risk committee and the remuneration committee.

We further strive to increase racial diversification at board level – our Transformation Plan will be critical in assisting us to implement a broad-based strategy to achieve sustainable business transformation.

During the year, Stor-Age appointed an independent third-party, Questco Corporate Advisory, to run a formal recruitment and selection process to facilitate the appointment of the two new board members. There were no other changes to the board during the year.

# CORPORATE GOVERNANCE (continued)

## DIRECTORS

### EXECUTIVE DIRECTORS



**Gavin Lucas** Chief executive officer (CEO) – CA(SA)

An entrepreneurial property developer backed by an experienced management team of professionals with a range of skills including investment banking, finance, property and construction, Gavin founded the Stor-Age Group in 2005. Leading the organisation by providing a common vision and mission, Gavin is responsible for the strategic direction of the group, coordinating plans to meet strategic goals, overseeing the overall operations, and stakeholder engagement.

Appointed to the board in November 2015.



**Stephen Lucas** Financial director – CA(SA), CFA

Stephen is one of the founding shareholders of Stor-Age and has worked alongside Gavin and Steven in developing the Stor-Age business since its inception. Stephen focuses on the group's financial and operational management, human resources and developing and executing the operations strategy. He also has previous advisory experience in corporate finance and transaction support.

Appointed to the board in November 2015.



**Steven Horton** CA(SA)

Steven is head of property and directs the group's property growth strategy. He oversees the procurement of all opportunities and the development planning, development and property management of the portfolio. Steven drives Stor-Age's acquisition and expansion efforts in South Africa and the UK.

Appointed to the board in November 2015.

### NON-EXECUTIVE DIRECTOR



**Graham Blackshaw** BA LLB

A former lead development partner in the Faircape group of companies, Graham played an integral role in driving the formation of the Stor-Age joint venture between Acucap, Faircape and Stor-Age Property Holdings in 2010. A qualified attorney, Graham practiced law at Herold Gie and Broadhead before joining the Cape of Good Hope Bank, where he went on to head up the Property Lending Division.

Appointed to the board in November 2015.

## INDEPENDENT NON-EXECUTIVE DIRECTORS



### **Paul Theodosiou** Chairman – CA(SA), MBA (UCT)

Partnering with NIB in the promotion and subsequent listing of Acucap Properties Limited on the JSE, Paul successfully led Acucap as CEO for close on 15 years prior to its merger with Growthpoint in 2015.

Appointed to the board in November 2015.

Appointed to the audit and risk committee in November 2015.



### **Sello Moloko** BSc Hons, PGCE (Leicester), AMP (Wharton)

Sello is the co-founder and executive chairman of Thesele Group and has more than 24 years' experience in financial services. He is the former non-executive chairman of Alexander Forbes Group Holdings Limited, former CEO of Old Mutual Asset Managers and former deputy CEO of Capital Alliance Asset Managers. He is currently the chairman of Sibanye Gold Limited, and a non-executive director of Telkom and General Reinsurance Africa. He is also a former director of the Industrial Development Corporation and listed companies Gold Fields, Makalani Holdings, Acucap Properties and Sycom Property Fund.

Appointed to the board in November 2015.

Appointed to the audit and risk committee in November 2015.



### **Phakama Mbikwana** BCom

Phakama graduated from Rhodes University in 2002, after which she completed a Bridging Certificate in the Theory of Accounting at Rand Afrikaans University. She also holds an International Executive Development Programme Certificate from US based Duke Corporate, an affiliate of Duke University. She is the founder and current sole member of Dandelion Capital, a company seeking to invest in diverse sectors in order to drive growth and influence strategy. Until recently, she held the position of Head of Construction and Related Sectors at Barclays Africa, and prior to that she held roles at Standard Bank Group, Investment Solutions, Alexander Forbes Multi Asset Management and Nedbank Corporate.



### **Kelly de Kock** CA(SA), CFA, MBA (UCT)

Kelly is specialised in the areas of corporate finance and investor relations, as well as mergers and acquisitions. She has more than 11 years' commercial experience in the financial services sector and currently holds the position of Chief Operating Officer at Old Mutual Wealth Trust Company. She previously held the positions of Head of Institutional Business Development at Kagiso Asset Management and Investor Relations Manager: South Africa at Old Mutual plc.

Appointed to the board in May 2018.



### **Gareth Fox** CA(SA)

Gareth is Chief Operating Officer of Western National Insurance Company Limited. He originally completed his articles in financial services at PwC and thereafter headed up the regulatory reporting and tax teams at Santam. He has sat on the South African Insurance Association taxation subcommittee and the Financial Services Board's SAM discussion group.

Appointed to the board in November 2015.

Appointed to the audit and risk committee in November 2015.

## CORPORATE GOVERNANCE (continued)

### BOARD RECRUITMENT AND TRAINING

In line with the board's appointment process, all new appointees are required to possess the necessary skills to contribute meaningfully to the board's deliberations and to enhance the board's composition in accordance with recommendations, legislation, regulations and best practice. An induction programme is provided for new directors by the company's sponsor.

Directors are also encouraged to take independent advice at the cost of the company for the proper execution of their duties and responsibilities. The board has unrestricted access to the external auditors, professional advisers, the services of the company secretary, the executives and the employees of the company at any given time.

Directors and committee members receive comprehensive information that allows them to properly discharge their responsibilities. The sponsor is responsible for ongoing director development. The board is satisfied that the arrangements for training and accessing professional corporate governance services are effective.

### BOARD ROTATION

A third of the non-executive directors must resign and stand for appointment at each annual general meeting. Details of directors making themselves available for re-election at the forthcoming annual general meeting are set out on page 75.

### BOARD ETHICS AND EFFICIENCY

The board conducted a self-evaluation during the year. Read more in the Chairman's Letter on page 11.

The board is satisfied that the self-evaluation conducted during the year improved its performance and the effectiveness of the governing body. To further improve its performance evaluation going forward, the board will reassess its self-evaluation criteria to include ethics and behaviour aligned to Stor-Age's Core Values of Excellence, Sustainability, Relevance and Integrity.

### COMPANY SECRETARY

The board is assisted by a suitably qualified company secretary, Henry Steyn, CA(SA) who has adequate experience, is not a director of the company and

who has been empowered to fulfil his duties. The company secretary advises the board on appropriate procedures for managing meetings and ensures the corporate governance framework is maintained.

The directors have unlimited professional access to the company secretary. Nothing has come to the attention of the board that indicates non-compliance by the company with applicable laws and regulations.

Given that the company secretary is not a director or an associate of a director of Stor-Age, the board is satisfied that an arm's length relationship is maintained between the board and company secretary.

During the year, the board considered the arrangements of the company secretary and confirms it is satisfied that these arrangements are effective. The board is further satisfied that Mr Steyn is suitably qualified and experienced.

### IT GOVERNANCE

The business potential of digital technologies and enhanced connectivity is in tension with the greater vulnerability of being connected to a global network such as the internet. We have noted the global increase of ransomware and other cyber security attacks. Subsequently, a number of enhancements were made to our layered network security systems during the year to strengthen defences.

While there were no major incidents during the reporting period, it is no reason for complacency. An independent consultant was appointed to assess the group's network cyber security measures by attempting to breach its defences. We also chose reputable, specialist service providers as business partners to ensure continued cyber security measures are maintained at the highest level.

We regularly restore daily backups to confirm the validity of the backup and that there was no data corruption. Each location joined to the network has a primary and secondary last mile connection to ensure maximum uptime. Internal and external users are continuously monitored to ensure the most effective use of resources and to limit the opportunity to breach the group's cyber defences. Our strategy, suppliers and network design are reviewed on a regular basis to stay abreast of leading best practice and remain relevant in the use of technology. External specialists are appointed by the board when considered necessary.



While satisfactory, the board will focus on strengthening its IT policy in the year ahead to further enhance the effectiveness of the group's technology and information governance.

### APPROACH TO COMPLIANCE

The board recognises its responsibility to ensure compliance with and adherence to all applicable laws and industry charters, codes and standards, as outlined in its charter. When necessary, the board appoints corporate advisers with sector-specific knowledge and insight to assist with managing the group's compliance requirements. The board is supported by the executive management team, who are considered to be adequately qualified and experienced to provide direction on possible compliance contraventions.

The social and ethics committee monitors compliance with the company's social and ethical responsibilities, including social and economic development, labour and employment, the environment, stakeholder engagement and good corporate citizenship.

At an operational level, Stor-Age ensures stringent guidelines are implemented and managed to control our risk and ensure that high levels of health and safety, as well as Stor-Age's own standards, are maintained.

Key areas of focus during the year included compliance with BBBEE and the Property Sector Code. Developments in the Protection of Personal Information Act and Consumer Protection Act remain areas of focus in the upcoming year.

# AUDIT AND RISK MANAGEMENT REPORT

Risk management is integral to the effective implementation of our strategy. We proactively manage risk to remain a competitive and sustainable business. This enhances our operational effectiveness and enables us to create continual value for the benefit of our employees, shareholders and other stakeholders in line with our growth strategy.



## KEY RISKS AND EFFECTIVE MITIGATORS

Key risks	Mitigators	Risk trend (impact and likelihood)
<p>1. Treasury risk</p> <p>Adverse interest rate movements could result in the cost of debt increasing.</p>	<ul style="list-style-type: none"> <li>The group's policy is to fix approximately 80% of total borrowings, and we use swap instruments to hedge our interest rate exposure. At 31 March 2018, 100% of net borrowings were fixed for 2.5 years</li> <li>Gearing remains low at 16% on a net-debt basis as at 31 March 2018. Our total undrawn borrowing facilities amount to R642 million</li> <li>Executive management reviews current and forecast projections of cash flow, borrowings, interest cover and covenants monthly</li> <li>We are highly cash generative, and debt is serviced by our strong operational cash flows</li> </ul>	Stable
<p>2. Weak/negative economic growth</p> <p>Macro-economic weaknesses could inhibit the self storage market's growth in line with our projections, resulting in reduced demand and lower income.</p>	<ul style="list-style-type: none"> <li>A 'needs' driven product for life-changing events which prevails in all economic cycles</li> <li>A prime portfolio of properties</li> <li>Focus on large economically resilient metropolitan cities where growth drivers are strongest and barriers to competition at their highest</li> <li>Strong operational management and platform</li> <li>Continuing innovation to deliver high levels of customer service</li> <li>Strong cash flow generation, high operating margins, low gearing and conservative hedging policies</li> <li>23 500+ tenants spread across a geographically diversified South African footprint (developing market) and the UK (first world market)</li> <li>A tested strategic development process that draws on internal analyses, independent research and global trends and best practice</li> </ul>	Stable
<p>3. Cape Town drought and the impact of Day Zero*</p> <p>Limited or no water supply may severely disrupt trading conditions and overall economic growth in the region.</p>	<ul style="list-style-type: none"> <li>We established a water crisis committee to coordinate an integrated and efficient response</li> <li>We installed water storage facilities at stores in affected areas</li> <li>Customer access to ablution facilities was limited and we ensured the availability of alternative sources of safe drinking water</li> <li>Water consumption was monitored</li> <li>The group ensured regular communication with employees on the importance of water savings and the actions needed to reduce consumption</li> </ul>	Increasing

\* New risks identified in 2018

## AUDIT AND RISK MANAGEMENT REPORT (continued)

Key risks	Mitigators	Risk trend (impact and likelihood)
<p>4. Acquisition risk*</p> <p>The group concluded three significant transactions in the past 12 months – an inability to successfully integrate these acquisitions could result in lost income.</p>	<ul style="list-style-type: none"> <li>We established internal work streams to discuss and address challenges, as well as formulated a growth strategy for each business</li> <li>We focused on managing leadership changes to ensure minimal disruption to the existing businesses</li> </ul>	Increasing
<p>5. Operating in an offshore jurisdiction*</p> <p>The acquisition of Storage King in the UK exposes the group to currency, interest rate and tax risk that may impact or result in the variability of earnings. Economic uncertainty post-Brexit may also result in unpredictable trading conditions.</p>	<ul style="list-style-type: none"> <li>The board formulated and approved hedging policies with respect to the repatriation of foreign earnings</li> <li>Interest rate risk is currently fixed at 90% of gross debt</li> <li>We consulted with professional advisers to ensure tax compliance in the UK</li> <li>The UK management team remained in-place post the acquisition and co-invested alongside Stor-Age in Storage King</li> </ul>	Increasing
<p>6. Property investment and development</p> <p>An inability to acquire or develop new self storage properties which meet management's criteria may impact the growth of the portfolio.</p>	<ul style="list-style-type: none"> <li>The group has an acquisition pipeline through the Managed Portfolio</li> <li>We have a pre-emptive right of acquisition over properties in the Managed Portfolio</li> <li>We already earn management fees from 13 trading properties in the Managed Portfolio</li> <li>10 additional development opportunities have been secured in the pipeline</li> <li>The fragmented South African self storage market potentially provides acquisition opportunities</li> <li>A new CPC model was introduced, which reduces the development and lease up risk for Stor-Age and provides an opportunity to develop high-profile properties in prime locations without diluting the group's distribution growth profile over the short to medium term</li> <li>We researched and developed the UK property growth strategy</li> </ul>	Decreasing
<p>7. Valuation risk</p> <p>External market factors or poor performance may lower our properties' values.</p>	<ul style="list-style-type: none"> <li>Independent valuations are conducted by experienced independent, professionally qualified valuers</li> <li>A diversified portfolio is let to a large number of tenants across a broad national and international footprint</li> <li>Low levels of gearing provide enhanced headroom on valuations and significantly reduce the likelihood of covenant breach</li> </ul>	Decreasing

\* New risks identified in 2018

Key risks	Mitigators	Risk trend (impact and likelihood)
<p>8. HR risk</p> <p>Our people are critical to our success. Failure to recruit and retain employees with appropriate skills may lead to high employee turnover and loss of key personnel and, consequently, lower performance.</p>	<ul style="list-style-type: none"> <li>• Competitive remuneration packages and financial rewards</li> <li>• Learning and development programme with performance reviews to develop employees to the highest potential</li> <li>• A culture where management is accessible at all levels and employees are encouraged to improve and challenge the status quo</li> <li>• Ongoing communication to ensure an engaged workforce</li> <li>• A succession planning strategy including talent retention</li> </ul>	Decreasing
<p>9. Utility costs</p> <p>Significant increases in utility costs, particularly property taxes and electricity, may put pressure on operating margins.</p>	<ul style="list-style-type: none"> <li>• Electricity and water usage is monitored monthly</li> <li>• We use external professionals to assist with monitoring and objecting to valuation revisions where necessary</li> <li>• We make use of energy-efficient lighting, solar power and collect and re-use rainwater for irrigation</li> </ul>	Stable
<p>10. Credit risk</p> <p>The group is exposed to tenants' credit risk which may result in a loss of income.</p>	<ul style="list-style-type: none"> <li>• Customers are required to pay a deposit on move-in in South Africa</li> <li>• Our diversified tenant base minimises any reasonably expectable material exposure risk</li> <li>• 80% of our current customers in South Africa pay by debit order (certain commercial customers are permitted to pay monthly in advance by EFT, and a segment of the customer base was inherited in previous acquisitions where payment by debit order was not required)</li> <li>• Clearly defined policies and procedures are in place to collect arrear rentals</li> <li>• A central team of collection specialists in South Africa assists each store with arrears</li> </ul>	Decreasing

## LOOKING AHEAD

As an outcome of the group's risk management process, we identified material changes in the risks affecting the business. These relate primarily to the impact of ongoing drought in Cape Town, as well as managing the integration risk related to the significant acquisitions undertaken during the year. This includes managing currency, interest rate and tax risks in an offshore jurisdiction to ensure financial targets are achieved.

Ultimately, the directors consider whether Stor-Age and its subsidiaries have adequate resources to continue operating for the foreseeable future.

The company has reasonably satisfied the liquidity and solvency test as required by the Companies Act of South Africa. The directors have further satisfied

themselves that the company and its subsidiaries are in a sound financial position and have access to sufficient facilities to meet their foreseeable cash requirements.

The board, via the audit and risk committee, has considered the effectiveness of the risk assessment and management process and is satisfied as to the effectiveness thereof.



**Gareth Fox**  
Audit and risk committee Chairman  
11 June 2018

# REMUNERATION COMMITTEE REPORT

## THE CHAIRMAN'S STATEMENT

The board and remuneration committee are pleased to present the remuneration report, which sets out our remuneration philosophy, policy and the outcomes for executive and non-executive directors. This report is aligned to best practice, taking into account King IV™ and the JSE Listings Requirements.

We have presented the remuneration report in three parts with part one being the chairman's statement providing context to decisions taken by the remuneration committee; part two setting out the remuneration policy and philosophy; and part three providing details of actual remuneration for the year under review.

## INTRODUCTION

The past 18 months have seen significant organic and acquisitive growth in Stor-Age's portfolio, and our position as sector specialists remains critical if we are to achieve our future growth ambitions. In light of this, we recognise the importance of ensuring competitive remuneration structures to attract and retain talented employees with the appropriate skills to execute our business strategy.

During the year, the remuneration committee:

- considered salary levels against the market, as well as company and individual performance, and approved salary increases;
- reviewed non-executive director remuneration (to be approved by shareholders);
- reviewed and approved the 2018 remuneration report;
- considered the concept of fair and responsible remuneration and its application within Stor-Age;
- considered methods for the investigation and rectification of pay disparities within Stor-Age, as well as the result of equal pay for work of equal value;
- conducted total remuneration benchmarking for executive directors; and
- commenced with a review of the remuneration mix, looking specifically at the introduction of variable remuneration and alternative long-term incentive schemes.

The remuneration committee mandated management to obtain the support, advice and opinion of PwC as an external adviser on various remuneration-related matters during the period under review. The assistance of PwC in this regard was satisfactory, and the remuneration committee is of the view that they operated independently.

## FORWARD-LOOKING CONSIDERATIONS

“ We are of the view that Stor-Age is now entering a new phase of managing its growth trajectory and is maturing as a listed company. ”

Since listing in November 2015, Stor-Age has consistently delivered strong trading results. The current executive directors, being the founders of the business, have played a significant role in this growth. Over the past three years, the executive directors have received a basic salary with no variable remuneration, and received a modest 6.0% increase in the year under review despite an exceptional performance. Further, no increase was awarded in 2016. Executive director remuneration is considerably lower when compared to our peers in the REIT sector.

Stor-Age's future success depends on attracting and retaining talented, experienced and motivated individuals. Outside of the executive directors, we have assembled a senior management team equally fundamental to maximising shareholder value and ensuring sustainable growth. The development and retention of this talent, particularly the specialist skills specific to the self storage sector, are critical to realising long-term value creation.

It is therefore necessary for us to enhance our remuneration structures with a variable portion, including both short- and long-term incentives, which retains, motivates and rewards employees appropriately. The remuneration committee is subsequently reviewing the current remuneration structure against best practice and, where appropriate, will consult with shareholders regarding future proposals.

## CONCLUSION

“ We express our gratitude for the continued support received from our shareholders and are committed to upholding the trust earned among our stakeholders. ”

At the annual general meeting (“AGM”) held in 2017, Stor-Age received an 83.6% non-binding advisory vote in favour of our remuneration policy.

In line with King IV™, Stor-Age will table the remuneration policy and implementation report for two separate non-binding advisory votes at the AGM. If shareholders do not approve both by more than 75%, the board will institute a formal engagement

process with interested shareholders to assess their views and determine the actions needed to resolve concerns.

Stor-Age has delivered another set of pleasing results in 2018. We look forward to embarking on a journey to better align our remuneration practices with our strategy, and to ensure our remuneration policies and practices are transparent and fair. We trust our efforts will be welcomed by shareholders and reflect, yet again, a favourable outcome at the AGM.



**Gareth Fox**  
Remuneration committee Chairman

11 June 2018

## THE REMUNERATION POLICY

This remuneration policy is subject to an advisory vote by shareholders at the AGM to be held on 23 August 2018.

### REMUNERATION GOVERNANCE

The remuneration committee was appointed by the board and has delegated authority to review and make decisions regarding Stor-Age’s remuneration policy and the implementation thereof. The remuneration committee is governed by its terms of reference as formally adopted by the board. Its responsibilities include, among other things:

- overseeing the board’s formulation, review and approval of the remuneration policy for employees and executive directors in line with Stor-Age’s strategic goals;
- assisting the board to ensure that executive directors are remunerated fairly and responsibly and in line with remuneration for employees throughout Stor-Age;

- recommending to the board the proposed allocations of Stor-Age’s share purchase and option scheme;
- approving the executive directors’ basic salary and increases thereto, as well as approving the increases for employees throughout Stor-Age; and
- approving remuneration payable to non-executive directors in their respective roles as members of the board or its subcommittees.

The remuneration committee members are set out on page 40 and their meeting attendance on page 42 of this report. Other board members, external consultants and key individuals may attend remuneration committee meetings by invitation and contribute to remuneration-related matters. However, they may not vote on any matters.

# REMUNERATION COMMITTEE REPORT (continued)

## REMUNERATION PHILOSOPHY

Stor-Age's remuneration policy seeks to attract and retain high-calibre and appropriately skilled employees and executive directors. Stor-Age's philosophy is that employees should be fairly remunerated and rewarded for their contribution. An integral part of this philosophy is to align the interests of employees with those of Stor-Age's shareholders by providing meaningful equity participation.

Historically, Stor-Age has provided executive directors with a basic salary. As founders of the business, the remuneration philosophy reflected the executive directors' commitment to its long-term success and, to a large extent, their desire to prove the sustainability of the business model in the initial years post the listing.

As Stor-Age has matured and grown its portfolio, this philosophy should adapt in line with the next phase of Stor-Age's life cycle. As set out in the chairman's statement, the remuneration committee and management are currently working together to determine the appropriate remuneration structures for this next phase.

## BASIC SALARY

Taking into account market trends and competitiveness, the remuneration committee and the board regularly review the appropriate remuneration mix to ensure it supports Stor-Age's strategic objectives. Currently, the remuneration mix for executive directors consists of a basic salary only.

The basic salary is a pre-determined cash amount without any further benefits. The basic salary paid to the executive directors is set out in note 26.4 of the annual financial statements. The annual increase to the basic salary of executive directors is determined alongside the increases for basic salaries of employees throughout Stor-Age.

Benchmarking exercises are conducted to analyse the market-relatedness and competitiveness of the basic salary and the remuneration mix as a whole. In 2018, the remuneration committee appointed an external consultant, PwC, to benchmark executive director remuneration. The results thereof were taken into account to determine the increase to the basic salary of executive directors for the year ending 31 March 2019.

## SHORT-TERM INCENTIVES

As mentioned above, executive directors do not currently participate in any short-term incentive schemes.

## SHARE PURCHASE AND OPTION SCHEME

Stor-Age introduced a share purchase and option scheme ("share purchase scheme") on listing. This serves as a mechanism to create ownership opportunities for the executive directors and selected senior and middle management employees (including store operations managers). Selected individuals are offered the opportunity to acquire Stor-Age shares by way of an interest-bearing loan. To be eligible, these individuals must be employed by Stor-Age for more than one year and have an above-average performance rating.

The share purchase scheme provides for the grant of options and for the purchase of shares on market-related terms. No options have been granted to date.

The share purchase scheme is aligned with our Core Value of Sustainability. Broadening employee participation in the share purchase scheme further supports the board's objective of building a sustainable organisation. It enables employees to share in Stor-Age's success and creates alignment between employees and shareholders to maximise shareholder value. No non-executive directors have participated in the share purchase scheme and, in line with best practice, participation will not be extended to non-executive directors.

Post the finalisation of Stor-Age's year-end results, the executive directors make an annual recommendation to the remuneration committee to allocate shares to new and existing participants. The remuneration committee evaluates the merits of the recommendation and, where appropriate, approves the allocation of shares.

The share purchase scheme is essentially a 'management buy-in' plan and exposes participants to real financial risk of share price growth and the repayment of the full loan for the purchase of the shares. This includes instances where the share price decreases from purchase date.

The features of the share purchase scheme are as follows:

- Ownership of the share purchase scheme shares vest immediately.
- The shares are pledged as security against the loan.
- The loan bears interest at a fixed interest rate per annum, compounded monthly and capitalised to the loan. The interest rate is determined by reference to the forecast annual distribution per share, expressed as a percentage of the share price, at the time of the award.
- Dividends received on the shares held by the beneficiaries are applied to the interest payable.
- The maximum period for the repayment of the loan is ten years. The loan is repayable in cash.

During the year under review, 3 510 000 shares were issued to participants under the share purchase scheme. Further details are set out in note 4 of the annual financial statements. At 31 March 2018, 15 589 440 shares were issued under the share purchase scheme. This represents 5.1% of total shares in issue at the date of this report.

### ALL EMPLOYEE REMUNERATION

All employees receive a basic salary at a level appropriate for the role and responsibilities. Stor-Age regularly reviews the basic salary of all employees to ensure it remains market related. Employee salaries (excluding directors) are reviewed annually, taking account of individual and overall company performance, as well as an employee's experience, qualifications and responsibilities.

Store-based operations employees are paid commission in addition to their basic salaries. This is based on performance relative to their budgets and achieving pre-defined targets. Other permanent employees (excluding directors) receive a component of variable remuneration dependent on their respective employment grade and individual performance.

### FAIR AND RESPONSIBLE REMUNERATION

Stor-Age is committed to fair and responsible pay practices in line with its duty to remain a responsible corporate citizen. Various factors are taken into account when considering fair and responsible pay practices, such as sustainability and Stor-Age's strategic objectives. Internal pay levels are reviewed on an ongoing basis to ensure alignment with the principle of equal pay for work of equal value. Furthermore, the remuneration committee is mandated to ensure that executive director remuneration is justifiable against remuneration levels of employees throughout the company.

### SERVICE AGREEMENTS, RETENTION STRATEGY AND TERMINATION ARRANGEMENTS

The executive directors are permanent employees and their employment contracts include a two-month notice period, with no restraints of trade. There are no contractual obligations to the executive directors in respect of separation or termination payments.

### NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive directors do not hold contracts of employment with Stor-Age and do not participate in any short-term or long-term incentives. Remuneration for non-executive directors comprises an annual retainer. Disbursements for reasonable travel and subsistence expenses are reimbursed to non-executive directors in line with the reimbursement policy for employees.

Remuneration for non-executive directors is reviewed on an annual basis taking into account the responsibilities borne by non-executive directors, as well as relevant external market data. Fees are benchmarked against a peer group of JSE-listed companies in the REIT sector.

The remuneration committee recommends the non-executive directors' remuneration structure to the board for approval. This remuneration structure is further recommended to shareholders for approval at the AGM.

The remuneration to be paid to the non-executive directors for the year ending 31 March 2019 was approved at the AGM held on 24 August 2017 and is set out below. The proposed remuneration for the year ending 31 March 2020, contained within the notice of the AGM, is set out below:

Role	Approved remuneration 31 March 2019	Proposed remuneration 31 March 2020	% change
Board member	196 742	211 000	7.2%
Chairperson – board	–	20 000	–%
Audit and risk committee member	46 292	50 000	8.0%
Chairperson – audit and risk committee	–	10 000	–%
Social and ethics committee member	23 146	25 000	8.0%
Remuneration committee member	23 146	25 000	8.0%
Investment committee member	–	30 000	–%

The proposed increases to non-executive director remuneration are considered against the average increase levels approved across Stor-Age, as well as against the results of benchmarking performed.

# REMUNERATION COMMITTEE REPORT (continued)

## THE IMPLEMENTATION REPORT

This implementation report is subject to an advisory vote by shareholders at the AGM to be held on 23 August 2018.

### COMPANY PERFORMANCE VERSUS AVERAGE GROWTH IN EXECUTIVE DIRECTORS' REMUNERATION

Stor-Age was incorporated on 25 May 2015. On 16 November 2015, its shares were listed and began trading on the JSE. The table below compares certain performance measures against the average executive directors' basic salary increase percentages over the past two years.

	2018	2017
Average increase in executive directors' basic salary levels	6.0%	–%
Share price growth	17.4%	17.7%
Growth in dividend per share	11.1%	10.0%
Growth in NAV per share	8.1%	7.9%

HEPS – headlines earnings per share

NAV – net asset value

### BASIC SALARY

Executive director salaries are reviewed annually. For the year ending 31 March 2018, the remuneration committee approved an increase of 6.0% for executive directors. This was lower than the average increase for other employees. During the year, the remuneration committee engaged PwC to prepare an external benchmarking report, and used the result as a reference point to determine the quantum of the increase for the year ending 31 March 2019. After careful consideration, the remuneration committee approved an average basic salary increase of 17.5% for executive directors for the year ending 31 March 2019.

The remuneration committee approved an average basic salary increase of 7.5% for other employees on 30 September 2017. A similar average increase in basic salaries is expected at the next annual review date, i.e. 30 September 2018.

In line with Stor-Age's commitment to fair and responsible remuneration, the remuneration committee carefully considered the increase levels of executive directors against the increase levels throughout the company and they are satisfied that it is in line with Stor-Age's policy. It should also be noted that no salary increases were accepted by the executive directors in 2016 and 2017, reflecting their commitment to the long-term success of the company.

### EXECUTIVE DIRECTOR REMUNERATION

In line with the requirements of King IV™ and the JSE Listing Requirements, the table below sets out the total remuneration on a single-figure basis received by executive directors in 2017 and 2018.<sup>1</sup> Currently, Stor-Age does not have a short-term incentive in place. Shares awarded to the executive directors under the share purchase scheme are not considered to be remuneration. No other remuneration or benefits were paid to executives during the year.

	2018		2017	
	Basic salary R'000	Total R'000	Basic salary R'000	Total R'000
GM Lucas	1 272	1 272	1 200	1 200
SJ Horton	1 272	1 272	1 200	1 200
SC Lucas	1 272	1 272	1 200	1 200
Total	3 816	3 816	3 600	3 600

<sup>1</sup> While it is recommended practice to insert a pay mix chart showing the allocation of total guaranteed package and short-term and long-term incentives, we have chosen to exclude this as total remuneration comprises salary only, as evident in the table above.

## DIRECTORS' INTERESTS IN SHARES ACQUIRED IN TERMS OF THE SHARE PURCHASE AND OPTION SCHEME

While the share purchase scheme provides for the award of options, no options have been awarded to date. Selected participants of the share purchase scheme acquired shares on the basis of an offer to purchase Stor-Age shares by way of an interest-bearing loan to build up a shareholding and share in the success of the company.

Although the awarding of shares is not considered to be remuneration, it does impact the executive directors' shareholding in Stor-Age and ensures alignment with shareholders. We have therefore chosen to include these details in the remuneration report.

The table below provides details of the current shareholding, outstanding loan and the fair value of the shares relating to the executive directors under the share purchase scheme. The value to the executive directors is equal to the fair value of the shares less the outstanding balance of the loan.

### 31 March 2018

	Number of shares '000	Outstanding balance R'000	Fair value of shares R'000
GM Lucas	4 150	44 103	53 577
SJ Horton	4 150	44 103	53 577
SC Lucas	4 150	44 103	53 577
Total	12 450	132 309	160 731

### 31 March 2017

	Number of shares '000	Outstanding balance R'000	Fair value of shares R'000
GM Lucas	3 500	36 390	38 500
SJ Horton	3 500	36 390	38 500
SC Lucas	3 500	36 390	38 500
Total	10 500	109 170	115 500

Further details relating to the share purchase scheme and the shareholding of the executive directors are set out in note 4 and 26.3 of the annual financial statements.

## NON-EXECUTIVE DIRECTOR REMUNERATION

The table below sets out the remuneration paid to non-executive directors:

	2018 R'000	2017 R'000
PA Theodosiou	251	230
MS Moloko	251	230
GBH Fox	251	230
GA Blackshaw	207	190
Total	960	880

The remuneration to be paid to the non-executive directors for the year ending 31 March 2019 (approved at the AGM held on 24 August 2017), as well as the proposed remuneration for the year ending 31 March 2020 (to be approved by shareholders at the forthcoming AGM), is set out on page 170 of this integrated report.

“ This report was approved by the remuneration committee and the board. Both are satisfied that there were no material deviations from the existing remuneration policy during the 2018 financial year. ”

# SOCIAL AND ETHICS COMMITTEE REPORT

The social and ethics committee acts on behalf of the board and is responsible for evaluating social and ethical responsibilities and making recommendations to the board thereon. The committee has all the functions and responsibilities provided for in the Companies Act. The committee members are set out on page 40, and attendance at meetings is set out on page 42.

## FOCUS AREAS OF THE COMMITTEE DURING THE YEAR

As the leading specialist self storage REIT in South Africa, Stor-Age is committed to making a real difference by implementing leading and sustainable business transformation and employment diversification plans.

The main area of focus for the committee during the year was therefore the development and implementation of the group's Transformation Plan. Stor-Age views transformation as a strategic business imperative, and this plan outlines ten key milestones to drive transformation in the business, effective from 2019 to 2021.

The main objectives of the plan include:

- Addressing the priority elements of the Property Sector Code
- Ensuring the benefits of equity ownership and participation in management control are extended to previously disadvantaged groups
- Creating meaningful job opportunities and developing skills in the communities we serve
- Contributing meaningfully to enterprise and supplier development

The social and ethics committee undertook extensive research during the year and was assisted by various independent consultants to inform the development of the plan. Multiple and ongoing project meetings were held, and included the attendance of all executive directors.

In addition, the board appointed a cross-functional transformation committee to oversee implementation of the plan. The transformation committee is chaired by a senior member of the management team and includes members of HR, finance, sales and marketing, and learning and development. All appointed members have been assigned responsibilities to help drive the achievement of the objectives outlined above.

The transformation committee reports its progress to the social and ethics committee, which is responsible for monitoring the performance of the transformation committee and the impact of its activities.

## TERMS OF REFERENCE

The duties and responsibilities of the committee are set out in a formal terms of reference which have been approved by the committee and the board of directors.

The main duties of the committee include:

- Social and economic development
- Good corporate citizenship
- The environment, health and public safety
- Customer relationships
- Labour and employment

The committee is further tasked with:

- Reviewing the adequacy and effectiveness of the company's engagement and interaction with its stakeholders;
- Considering substantive national and international regulatory developments as well as best practice in the fields of social and ethics management;
- Reviewing and approving the company's CSI policy; and
- Determining clearly articulated ethical standards (the Code of Ethics) and ensuring that the company takes measures to adhere to them in all aspects of the business, thus achieving a sustainable corporate culture in the group.

The committee's focus areas are reported on in more detail from page 60 to 67.

Mechanisms to encourage ethical behaviour such as the Code of Ethics and corporate citizenship policies were confirmed as adequate by the committee in the period under review.

## FUTURE FOCUS AREAS FOR THE COMMITTEE:

The priority focus for the committee going forward will be overseeing the implementation of the Transformation Plan.

In addition, the committee will continue to oversee the group's stakeholder engagement processes.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference during the reporting period.



**Graham Blackshaw**  
Social and ethics committee Chairman  
11 June 2018

## INVESTMENT COMMITTEE REPORT

### KEY FUNCTIONS AND RESPONSIBILITIES

The investment committee was constituted in February 2016 and currently comprises two executive directors and two non-executive directors. Its primary purpose is to evaluate and, if appropriate, approve potential acquisitions or disposals identified by the executive team.

The committee meets on an ad hoc basis to review investment proposals relating to acquisitions, new developments and/or substantial redevelopments. The authority limit of the committee is for transactions up to and including R50 million. The committee makes

recommendations to the board regarding proposed transactions that exceed its level of authority.

The committee is satisfied it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.



**Paul Theodosiou**  
Investment committee Chairman  
11 June 2018



# ACTING SUSTAINABLY

Driven by our Core Value of Sustainability, we believe that every single decision or action that we take today has a direct impact on all decisions or actions which can be taken tomorrow.

It means not always taking the shortest route and not always being focused on a short-term time horizon. Rather, it means that we acknowledge that what we do today will have a direct influence on what we can do tomorrow.

We encourage the sharing of new ideas. We believe in preparing for tomorrow, today. We know that to remain a market leader we have to continue to nurture and encourage a culture of innovation from within and find more efficient ways to do things.

We aim to build an organisation that is resilient, and which can endure and adapt through multiple generations of leadership as well as multiple product life cycles.

“ A sustainable organisation is bigger than the sum of its parts. ”

## ENVIRONMENTAL SUSTAINABILITY

The most important space at Stor-Age is the environment that surrounds us. This is why we continue to address sustainable practices in the areas of energy efficiency, renewable energy generation, rainwater harvesting and storm water management and conservation.

We strive to improve these aspects of our properties as a commercial property owner and self storage operator in line with changing environmental legislation and our own commercial objectives.

### OPERATIONAL STORE ENERGY CONSUMPTION

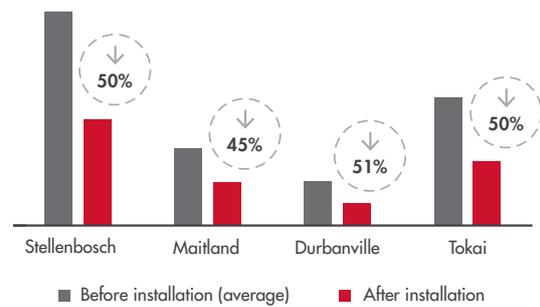
Our properties’ predominant energy consumption is grid electricity for lighting, elevators, general power, heating, cooling and ventilation. These cause ‘indirect’ off-site power station carbon emissions.

The following initiatives have reduced our properties’ electricity consumption:

- Motion-sensitive lighting at all properties. We fit these at optimum distances to reduce the number of fittings and the energy consumed.
- LED light fittings are installed inside and outside of all new properties, and retrofitted onto existing ones. LED light fittings save up to 60% of consumption compared to standard fittings.

- Solar panelled hot water cylinders are installed to heat water in the retail stores and security offices at many properties.
- Each month, we prepare and review a detailed analysis to assess energy consumption across the portfolio, with exceptions timeously dealt with through active management.

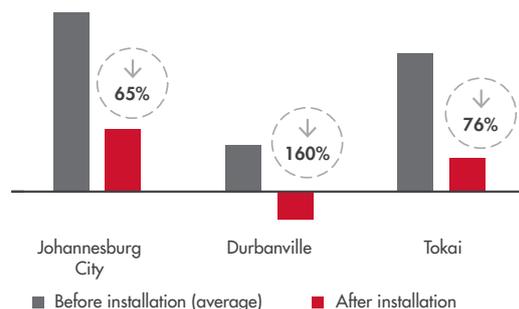
REDUCTION IN MUNICIPAL CHARGES (before and after LED fittings and motion sensors installed)



### Photovoltaic (solar) systems

We were the first self storage property owner in South Africa to install solar technology for three-phase power generation. Stores now fitted with these systems include Durbanville and Tokai in the Western Cape, and, more recently, Johannesburg City and Midrand in Gauteng. In addition, the Western Cape offers a net metering solution that allows self-generated, green electricity to be supplied back into the grid by property owners. Owners are then credited for the electricity they supply. Subsequently, our installations in the Western Cape are generating savings in line with forecast.

REDUCTION IN MUNICIPAL CHARGES (before and after the installation of solar systems)



We continue to assess the effectiveness of these installations, primarily at Tokai and Johannesburg City as these were the first Big Box properties to be fitted with the technology. We approach installation on a property-by-property basis given the varying fixed and variable rates charged by the different power utility providers across South Africa. Subject to achieving our desired return on investment, which is based on the projected savings profile per property, we plan to integrate the systems across the balance of our portfolio over the medium term.

### RAINWATER HARVESTING

Rainwater harvesting is the accumulation and storage of rainwater for reuse on-site, rather than allowing it to run off into the storm water system. It provides an independent water supply during the summer months, and can be used for irrigation and to substitute municipal supply during regional water restrictions (as in the Western Cape).

As our properties provide the benefit of significant roof space, we have installed these systems at numerous locations across the portfolio. This includes our head

office in Claremont, Cape Town, where the washing and ablation facilities are automatically fed by the harvested rainwater.

Post year end we subsequently collected and reached our capacity limit of 50 000 litres in Claremont during Cape Town's early winter rainfall. We estimate that the rainwater collected will provide sufficient capacity to supply the property – and its estimated 60 employees – with the necessary water for washing and ablation purposes for approximately three months. This is a significant contribution to the water-saving efforts being made in this drought effected region.

### STORM WATER MANAGEMENT AND CONSERVATION

We have incorporated permeable paving into our external civil engineering design at a number of our properties.

Permeable paving is qualitatively different from traditional paving methods in that water is treated on-site before being discharged into both the natural groundwater table and storm water system.



## ACTING SUSTAINABLY (continued)

### SOCIAL SUSTAINABILITY

At Stor-Age we strive to make a sustainable difference. Recognising our role as a responsible member of the broader community, and in line with our Core Value of Relevance, we aim to improve our tenants' and employees' lives as well as the communities in which we operate.

Our medium-term objective is to continue focusing our resources on fewer but larger projects. We recognise the importance of being an active member of our local communities, and we encourage our employees at the property level to develop close links with charities, schools, sports clubs and local interest groups.

In the year, we contributed more than R500 000 to support social initiatives.

Highlights of these initiatives include:

#### SANTA SHOEBOX PROJECT

This is the sixth consecutive year that Stor-Age has partnered with the Santa Shoebox Project.

The Santa Shoebox Project is an annual charitable initiative that collects and distributes shoeboxes filled with gifts to underprivileged children across South Africa and Namibia during the Christmas season.

#### OBX EDUCATION ENDOWMENT FUND

Stor-Age was the title sponsor of the fourth OBX sports festival hosted during the year. OBX raises funds to distribute to disadvantaged children in the form of bursaries and to assist non-profit educational programmes in disadvantaged communities throughout South Africa. To date, more than R150 000 has been raised for this cause.

#### ROBIN TRUST

Stor-Age joined forces with Robin Trust to sponsor bursaries for two students from disadvantaged backgrounds to study at the Robin Trust Nursing College. Robin Trust is a non-profit health care organisation that offers fully accredited nurse training, community health worker training and home-based care worker training. The bursaries will fund the second year of the students' bridging course, which will upskill them from an enrolled nurse to a fully qualified Nursing Sister.



## HUMAN SUSTAINABILITY



“ We believe that Stor-Age is a person: It has its own energy, thoughts, feelings and a personality. It reacts to certain things in certain ways, just as you and I do. We believe that every single one of our people contributes to the ‘person’ that is Stor-Age. We believe that all our people play a part in shaping its collective persona through our own thoughts and actions. ”

Gavin Lucas CEO



## ACTING SUSTAINABLY (continued)

### EMPLOYEE LEARNING AND DEVELOPMENT

Stor-Age is committed to employee development through effective learning and training opportunities. Our learning and development framework identifies 10 areas for intervention for head office and store-based operations employees.

We have developed a range of training courses which are delivered in various modes.

- Our e-learning framework, Edu-Space, enables our employees to receive training and assessment simultaneously online across all our locations.
- We offer face-to-face workshops and refresher courses at our four purpose-built training venues.
- Where appropriate, specific and individual training is offered to employees. Our core training programme is complemented by management and leadership development programmes which are delivered in-house and by external service providers.

In addition to contributing to the social and ethical aspects of better business practice, customer surveys are a key driver of the learning and development programmes administered to employees. Engaging customers through this medium has enabled this crucial stakeholder group to influence Stor-Age's employee practices and processes directly and in a meaningful manner.

#### Performance management and support

Comprehensive job descriptions set out each person's role within the business and the competencies required to deliver value in their role. Our Annual Performance and Personal Development Reviews facilitate formal assessment and feedback to all employees by their immediate line managers. A key outcome of this process is the identification of an individual's primary training, learning and development needs to ensure effective performance.

We provide fully funded life, disability and funeral assistance cover through an insurance policy to all our store-based employees, while our internally facilitated Medical Aid Scheme (Momentum Health) and our Group Retirement Annuity (Allan Gray) have steadily grown in participation.

### Edu-Space highlights\*



### Face-to-face training highlights



### Employee feedback



\* The above information applies to the group's South African business, measured over a period of ten months – from June 2017 to March 2018.

## LEARNING AND DEVELOPMENT FRAMEWORK



### LEADERSHIP DEVELOPMENT FORUM (LDF)

By invitation. Strategic management and leadership development



### MANAGEMENT DEVELOPMENT FORUM (MDF)

By invitation. Further development of management skills and techniques



### GROWTH DEVELOPMENT FORUM (GDF)

By invitation. An introduction to leadership and management in business



### EXTERNAL STUDY

As identified through APR (Annual Performance Review) and PDR (Personal Development Review) processes



### AD HOC WORKSHOPS

Offered on a rotational basis. For example: Dealing with debtors, operating system extension training, health and safety training including fire fighting and first aid



### E-LEARNING SESSIONS ON EDU-SPACE

As assigned by Management. Driven by business needs



### SERVICE AND SALES

Refresher sessions based on Mystery Shopper data and feedback



### OPERATIONS TRAINING WORKSHOP AT HEAD OFFICE

1 week programme (Level 2) hosted by the Learning and Development Team



### OPERATIONS ORIENTATION PROGRAMME

5 week in-store welcome and basic training (Level 1) by trainer at a designated training store



### WELCOME AND INDUCTION PROGRAMME

Meet with a member of the L & D team and complete the introduction module on Edu-Space

## ACTING SUSTAINABLY (continued)

### Transformation

In line with our Core Value of Sustainability, Stor-Age aims to make a real contribution to the economy of South Africa and, in the process, achieve sustainable transformation objectives aligned with broad-based black economic empowerment legislation.

To this end, the board engaged with various consultants during the year, and committed significant resources at a senior management level to thoroughly understand the Preferential Procurement Policy Framework Act, the Property Sector Transformation Charter and the Amended Property Sector Codes (gazetted on 9 June 2017). The culmination of our efforts enabled us to finalise a detailed and rolling three-year Transformation Plan, which became effective in April 2018. This Transformation Plan is critical to us aiming to achieve compliance with the Property Sector Code.

### EMPLOYEE-FOCUSED INITIATIVES

Our year end review is an ideal opportunity to develop and enhance our business culture. By bringing together all employees from across the country, everyone is able to share their experiences with Stor-Age as a business in a relaxed and informal setting. Coupled with fostering new partnerships and sharing best practices, the year end review is a key contributor to the ethos and personality of the business.

The theme of our 2017 year end review was 'The Customer'. Accordingly, employees were encouraged to submit ideas on how we could improve the customer experience at Stor-Age. We received more than 200 entries, from which the top five ideas were chosen and presented to a management panel. In addition, we circulated videos showcasing the top five ideas among employees, who were then encouraged to vote for their favourite customer-centric solution. The top two ideas were subsequently chosen. The runner up received a R5 000 cash prize, and the winner received R10 000 – with both ideas being implemented across the country.

Following the success of a flexible working-hours approach at head office in 2016, we introduced 'Saturdays off' for our store employees in 2017.

Our store employees are employed as six-day-a-week workers. In line with our Core Value of Sustainability, we identified one of the two middle Saturdays of each month as an appropriate opportunity to allow employees to enjoy a full weekend break from work. In addition, we trialled and implemented the closing of the retail component of all properties on public holidays in 2017, except those falling at or close to month end. Both of these initiatives continue to be well-received by employees, and contribute directly towards creating a healthier work-life balance and indirectly to creating a more engaged, sustainable and productive work environment.

“ We have a number of other employee-focused initiatives in place to boost employee engagement. ”

Despite being a decentralised business, we leverage our sophisticated operational platform to facilitate the sharing of ideas and connect our people in real time. Our intranet boasts high levels of participation by our in-store employees, providing a transparent platform on which they can make improvement suggestions to enhance our internal operating standards and business practices. Once logged, management provides timeous feedback on all suggestions, including actions to implement where relevant. While often simple, these suggestions can have a sizeable impact on our business and improve efficiency. The platform also contributes towards improved employee productivity and ensures our people feel heard and taken care of – a testament to our non-hierarchical structure and commitment to our Core Values.

Other initiatives include our anonymous employee surveys, conducted twice a year, with two highlights being that more than 95% of staff are proud to be part of the Stor-Age team and understand how their job aligns with the company's vision and mission. The feedback assists us to create a positive workplace environment and ensure our employees' days are more productive and rewarding.



“ It is important that stringent guidelines (which include courtesy procedures) are implemented and managed to control our risk and ensure that high levels of health and safety, as well as Stor-Age’s own standards, are maintained. ”

In addition, we run an employee gift programme to acknowledge important milestones in our employees’ lives, such as when they get married or engaged, as well as Draw-Age, which is our monthly lucky draw.

#### HEALTH, SAFETY AND COMPLIANCE

Stor-Age is committed to compliance in the following areas:

- Occupational Health and Safety Act (OHSA Part A and Regulations Part B)
- Basic Conditions of Employment Act
- Labour Relations Act
- Compensation for Occupational Injuries and Diseases Act
- Skills Development Act
- Employment Equity Act
  - Preferential Procurement Policy Framework Act
  - Property Sector Transformation Charter
  - Amended Property Sector Codes

The relevant charts are displayed in a common area accessible to all employees at the head office and in all stores. Health and safety representative/s are appointed as required by OHSA to meet regularly and make relevant recommendations to management.

Stor-Age endeavours to ensure safe conditions and premises for customers, tenants and employees, including but not limited to:

- Housekeeping and general cleanliness;
- Lighting;
- Ventilation;
- Emergency evacuations;
- Working electrical systems;
- Safe and working machinery;
- Hazardous chemicals; and
- Roadworthy, timeously serviced company vehicles.

Stor-Age endeavours to ensure that the following items are not stored by tenants:

- Toxic pollutants or contaminated goods
- Firearms, ammunitions or explosives
- Radioactive materials
- Hazardous goods
- Living plants or animals
- Food or perishable goods
- Cash and securities
- Illegal goods
- Waste

## ACTING SUSTAINABLY (continued)

“ Stor-Age holds regular risk assessments to take steps to eliminate risks; take and manage or enforce precautionary measures where necessary; and train or educate all employees accordingly. Systems of evidence are maintained at head office and in all stores. ”

An example of our commitment to workplace health and safety is our nationwide, same-day, same-time fire drills (across all properties and including head office).

Training for this project was initially carried out using our Edu-Space e-learning platform. The fire drills are now the responsibility of a dedicated project leader who oversees this practice quarterly. Results are documented, submitted to head office and reviewed. Improvement recommendations are then implemented

as required. This enables us to benchmark our performance and strive for continuous improvement.

To discuss other aspects of workplace health and safety and track and monitor performance, quarterly meetings are conducted across the portfolio. This enables us to identify any new risks or opportunities and improve our operating standards and training modules on our Edu-Space platform so that we can exceed Excellence in workplace health and safety.

**Particular and specific policies and procedures are distributed and followed, covering the following topics and issues:**

- Health and safety representatives
- High-risk equipment/machinery/facilities – lifts and hoists
- The complementary removal van service
- Diesel generators
- Contractor entry and exit logs
- Medical emergencies and first aid training
- Fire safety and related training
- Evacuation procedures
- Hazardous chemicals
- Incident/accident reporting

