



# 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 and its subcommittees  |
|--|--|
| Transformation   | Guiding its transformation objectives, the board continued with the implementation of its three-year Transformation Plan, developed in line with the Property Sector Code.   |
| Restructuring UK debt funding  | Negotiated and implemented preferable debt funding facilities with Lloyds, replacing in-place facilities with the Royal Bank of Scotland. The terms secured included enhanced and favourable interest rates, tenure, LTVs and an increased quantum.  |
| Acquisition of the Managed Portfolio   | Appointed Investec Corporate Finance to facilitate the independent valuation of the portfolio, negotiation with the sellers and to advise on the legal structuring of the transaction. The transaction was successfully concluded in October 2018.   |
| Disciplined execution of the five-year property growth strategy to 2020          | Oversaw the continued execution of the group's property growth strategy. This included acquiring new development properties and the Managed Portfolio in South Africa, acquiring three trading self storage properties (SA: one, UK: two), as well as continuing discussions with the senior management team to begin formulating its thinking towards 2025.   |
| Research and implementation of a long-term incentive scheme in the form of a CSP | Oversaw the successful implementation of a CSP for all permanent employees. This includes executive directors, senior management, operations managers at the property level and mid-management employees.  |
| Research and development of a multiyear digital strategy                         | Oversaw the development of a multiyear digital strategy. This strategy will guide Stor-Age's digital transformation over the medium term, ensure that we remain responsive to shifting consumer trends and the pace of technological change, as well as guide investment in digital technology.  |
| The roll-out of solar technology for three-phase power generation                | The board remains committed to investing in sustainable power solutions through solar technology for three-phase power generation. Stores successfully fitted with these systems include Durbanville and Tokai in the Western Cape, and Johannesburg City and Midrand in Gauteng. An additional 16 properties have been targeted for solar power installation in the 2020 financial year – increasing the combined systems' capacity to an estimated 670 kW. |

# 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

|   |   |   |   |
|---|---|---|---|
| Ensures the integrity of the integrated annual report, annual financial statements and other financial reports. | Ensures adoption of a fair and transparent remuneration policy. | Monitors compliance with the company's social and ethical responsibilities. | Assists with decision-making regarding the acquisition, development or disposal of property assets. |
|---|---|---|---|

### Focus areas during the year

|   |   |   |  |
|---|---|---|--|
| Implementation and adherence to King IV | Implementation of a long-term incentive scheme in the form of a CSP | Implementation of the Transformation Plan | Local market acquisitions and developments; international expansion and structuring. Restructuring the UK debt funding. Roll-out of solar technology for three-phase power generation. |
|---|---|---|--|

### Independent non-executive directors

4/4

3/3

2/4

1/4

\* Non-executive director | \*\* Independent non-executive directors

For more information on the qualifications and experience of subcommittee members, refer to page 52.

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 roles 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 the 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.

## KING IV

Last year we implemented the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)<sup>1</sup> 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. ”



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## 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:

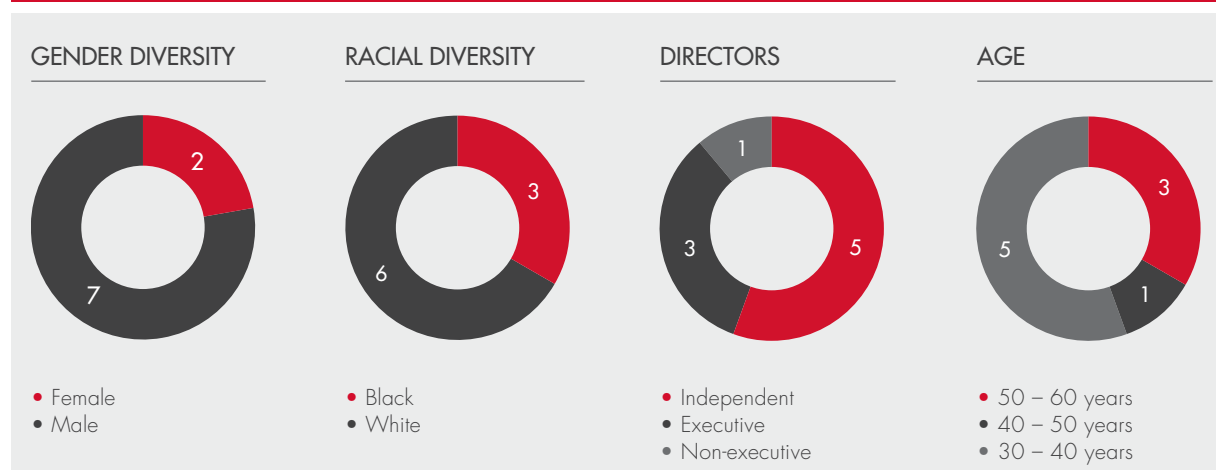
| Director                       | Sub-committees | Meetings attended | Meetings eligible | % attendance | Board | Audit and risk committee | Social and ethics committee | Investment committee | Remuneration committee |
|--------------------------------|----------------|-------------------|-------------------|--------------|-------|--------------------------|-----------------------------|----------------------|------------------------|
| Paul Theodosiou*<br>(Chairman) | ARC; RC; IC    | 19                | 19                | 100%         | 4     | 4                        |                             | 8                    | 2                      |
| Graham Blackshaw**             | IC; SEC        | 14                | 14                | 100%         | 4     |                          | 2                           | 8                    |                        |
| Kelly de Kock*                 | ARC; RC        | 8                 | 8                 | 100%         | 4     | 2 <sup>1</sup>           |                             |                      | 2 <sup>1</sup>         |
| Gareth Fox*                    | ARC; RC        | 10                | 11                | 91%          | 4     | 4                        |                             |                      | 2                      |
| Phakama Mbikwana*              | SEC            | 6                 | 6                 | 100%         | 4     |                          | 2                           |                      |                        |
| Sello Moloko*                  | ARC; SEC       | 6                 | 10                | 60%          | 2     | 2                        | 2                           |                      |                        |
| Gavin Lucas***                 | IC; SEC        | 14                | 14                | 100%         | 4     |                          | 2                           | 8                    |                        |
| Stephen Lucas***               | RC             | 5                 | 5                 | 100%         | 4     |                          |                             |                      |                        |
| Steven Horton***               | IC             | 12                | 12                | 100%         | 4     |                          |                             | 8                    |                        |
| <b>Actual attendance</b>       |                | 94                |                   |              | 34    | 12                       | 8                           | 32                   | 6                      |
| <b>Eligible attendance</b>     |                |                   | 99                |              | 36    | 14                       | 8                           | 32                   | 6                      |
| <b>% attendance</b>            |                |                   | 95%               | 94%          | 86%   | 100%                     | 100%                        | 100%                 | 100%                   |

\* Independent non-executive director  
 \*\* Non-executive director  
 \*\*\* Executive director

<sup>1</sup> Appointed 23 August 2018

### 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 further improve diversity.



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

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

In terms of tenure, four of the non-executive board members as at 31 March 2019 were appointed to the board in November 2015 following the company's listing on the JSE, and a further two non-executive directors were appointed in May 2018. Only the three executive directors were involved in the operations of Stor-Age prior to the listing.

“ To reduce gender- and race-related underrepresentation 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 10 key milestones to drive transformation in the business. ”

We appointed two new black female board members – Phakama Mbikwana and Kelly de Kock. Who joined the board as independent non-executive directors, effective 1 May 2018.

We 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.

There were no 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 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)

Paul was the founding CEO of Acucap Properties Limited and ran the company for 14 years until its merger with Growthpoint Properties in 2015. He is a former partner of KPMG.

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 27 years' business experience. 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 (outgoing) of Sibanye Gold Limited and of Telkom, and a non-executive director of Prudential Investment Managers and MMI Holdings Limited.

Appointed to the board in November 2015.

Appointed to the audit and risk committee in November 2015.



### **Phakama Mbikwana** BCom

Phakama has over 15 years of banking experience, where she has been exposed to all the industry segments. She left the banking industry as a principal at Barclays Africa where she held the role of sector head: construction and construction-related sectors in the corporate and investment banking division. She has previously held roles at Standard Bank Group, Investment Solutions (Alexander Forbes Multi-Asset Manager) and Nedbank Corporate. She is currently the CEO of Africa Rising Capital (advisory and investment holdings). She also holds the role of an independent non-executive director on the board of Wits Health Consortium Proprietary Limited.

Appointed to the board in May 2018.



### **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 13 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 the 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 auditor, professional advisors, and 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 re-election 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 89.

### BOARD ETHICS AND EFFICIENCY

The board is satisfied that the self-evaluation conducted in the prior 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 Henry 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. Enhancements continue to be made to our layered network security systems to strengthen defences.

While there were no major incidents during the reporting period, it is no reason for complacency. We choose 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 continues to focus on strengthening its IT policy to further enhance the effectiveness of the group's technology and information governance.



## EXTERNAL AUDIT

The audit and risk committee has confirmed that it is satisfied that KPMG Inc. has the necessary skills and requirements to be re-appointed as the auditor of the company with the designated partner being Mr IM Engels in terms of the JSE Listings Requirements paragraph 3.84(g)(iii).

## 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 advisors 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.

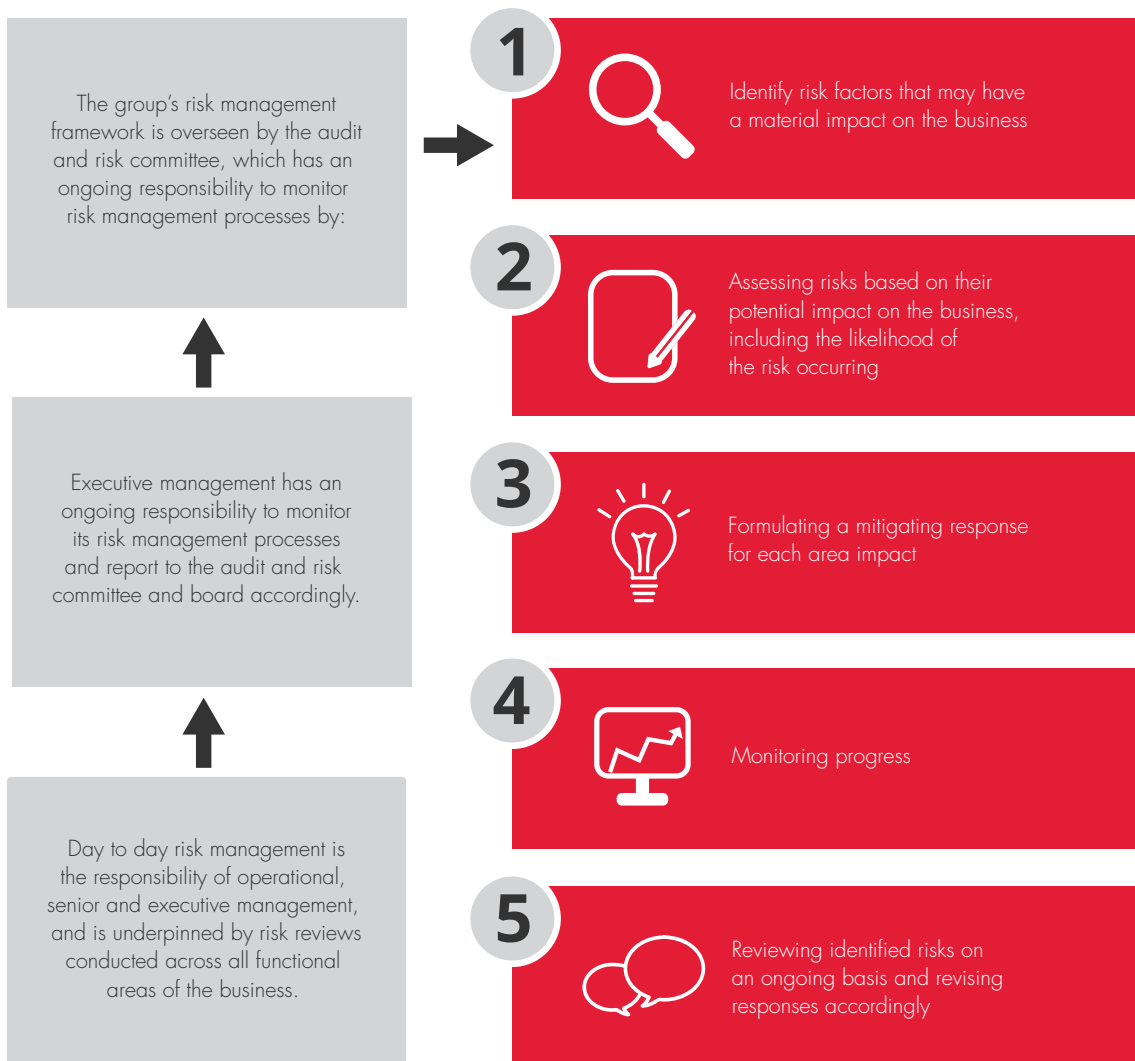
The social and ethics committee monitors compliance with the company's social and ethical responsibilities, including social and economic development, labour and employment, the environment, stakeholder engagement and good corporate citizenship.

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 B-BBEE and the Property Sector Code. The Protection of Personal Information Act, the Consumer Protection Act and the Property Sector Code remain areas of focus for 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 at least 80% of total SA borrowings and 90% of UK borrowings. We use swap instruments to hedge our interest rate exposure. At 31 March 2019, 128% of net SA borrowings were fixed for 1.8 years. 94% of net UK borrowings were fixed for 4.5 years.</li> <li>Gearing remains low at 24.6% on a net-debt basis as at 31 March 2019. Our total undrawn borrowing facilities amount to R586 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>Macroeconomic 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 prevail 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 are 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>32 000 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, global trends and best practice.</li> </ul> | Increasing                         |
| <p>3. Cape Town drought</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>Increased winter rainfalls during 2018 ensured that key dams servicing the greater Cape Town metropole area recovered to levels whereby the authorities were able to reduce water restrictions and the risk of Day Zero is significantly diminished.</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 is monitored.</li> </ul>   | Decreasing                         |

## AUDIT AND RISK MANAGEMENT REPORT (continued)

| Key risks   | Mitigators  | Risk trend (impact and likelihood) |
|---|---|------------------------------------|
| <p>4. Acquisition risk</p> <p>The group concluded four 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>  | Decreasing                         |
| <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. The protracted withdrawal of the UK from the EU, as well as the ongoing Brexit negotiations, has created uncertainty in the UK economy. This could negatively impact trading conditions in the short to medium term.</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 advisors 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> | Stable                             |
| <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>Nine additional development opportunities have been secured in the pipeline.</li> <li>The fragmented South African self storage market potentially provides acquisition opportunities.</li> <li>We acquired 15 trading self storage properties during the year (SA: 13, UK: 2).</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>                               | Stable                             |

| Key risks   | Mitigators  | Risk trend (impact and likelihood) |
|---|---|------------------------------------|
| <p>8. Human resource 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 their 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> <li>A Conditional Share Plan introduced during the year.</li> </ul>   | Stable                             |
| <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 reuse rainwater for irrigation.</li> </ul>   | Increasing                         |
| <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 electronic funds transfer (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> | Stable                             |

## 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 challenging South African economic climate currently being experienced, as well as the significant increases in administered utility costs by the local authorities.

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, 71 of 2008, as amended. 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**  
Chairman: audit and risk committee

11 June 2019

# REMUNERATION COMMITTEE REPORT

## PART ONE THE CHAIRMAN'S STATEMENT

The board and remuneration committee are pleased to present the 2019 remuneration report which provides context to how we approach remuneration, sets out our remuneration philosophy and policy, and details the actual 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.

### INTRODUCTION

The 2019 financial year presented several challenges, including a deteriorating macroeconomic environment in South Africa and the continuing uncertainty caused by the timing and terms of the UK's withdrawal from the EU. Despite these challenges, Stor-Age delivered another set of strong trading results and management has proven its ability to successfully execute its business strategy through profitable and sustainable growth.

Our success as sector specialists is highly dependent on developing and retaining exceptional talent. With a focus on competitive, fair and market-related remuneration, the design of our remuneration framework will play a critical role in attracting and incentivising employees who are aligned with our core values and contribute positively to our culture and strategic objectives.

### FOCUS AREAS DURING THE YEAR

During the year, the remuneration committee:

- Reviewed the current remuneration structures and remuneration mix against best practice and considered the introduction of both short- and long-term incentives;
- Implemented the Conditional Share Plan (CSP) as approved by the shareholders;
- Engaged with shareholders regarding the remuneration policy and implementation thereof, as well as the performance conditions relating to the CSP;

- Approved CSP awards to participants;
- Conducted total remuneration benchmarking for executive directors;
- Reviewed executive directors' total remuneration, and reviewed and approved salary increases against the market, as well as company and individual performance;
- Reviewed non-executive director remuneration (to be approved by shareholders) with the assistance of the executive directors;
- Reviewed and proposed the company's malus and clawback policy for approval by the board;
- Considered the concept of fair and responsible remuneration and its application within Stor-Age;
- Reviewed and approved the 2019 remuneration report; and
- Considered methods for the investigation and rectification of pay disparities as the result of equal pay for work of equal value.

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

On 19 February 2019 shareholders approved the company's CSP. Under the CSP, participants are awarded a right to future delivery of equity (i.e. a conditional right to receive shares). Vesting of shares is subject to the achievement of performance conditions, each with different weightings, and continued employment. The performance period is three years and coincides with the company's financial year. Further details of the salient features, award levels and performance conditions of the CSP can be found in parts two and three of this report.

## FOCUS AREAS FOR 2020 AND FORWARD-LOOKING CONSIDERATIONS

The executive directors, being the original founders of the business, have played a significant role in the growth and performance of Stor-Age since its listing in November 2015. In March 2018 the remuneration committee mandated PwC to perform an external benchmarking exercise to better understand the remuneration packages within the market that the company operates. This was completed in June 2018 and confirmed that the company's executive directors' remuneration is considerably lower than its peers in the listed REIT sector. A primary area of focus is therefore to ensure that executive remuneration is market related and reflective of the roles and responsibilities performed. This includes the consideration of an appropriate short-term incentive scheme for the executive directors.

The remuneration committee will also focus on the retention of key talent and critical skills, particularly at the senior management level, by ensuring that key employees are adequately compensated for their performance and contribution. The development of key senior and middle management staff remains an ongoing priority of the executive directors and the remuneration committee. This is particularly important in the context of succession planning to ensure the development of future leaders as the company continues its growth trajectory.

Lastly, we will also give due consideration to the introduction of a minimum shareholding requirement in relation to the company's long-term incentive plan in accordance with best practice.

## CONCLUSION

At the annual general meeting (AGM) held in 2018 our remuneration policy achieved a non-binding advisory vote of 80.0% in its favour, while the remuneration implementation report received a vote of 90.7% in its favour.

In line with King IV, Stor-Age will table the remuneration policy and implementation report for two separate non-binding advisory votes at the 2019 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.

The remuneration committee is satisfied that it fulfilled all its objectives in line with its terms of reference for the year under review. We remain committed to improving our remuneration practices and ensuring alignment between strategy, performance and remuneration to maximise long-term value creation. We welcome any comments or concerns shareholders may have regarding the remuneration policy and implementation report, recognising that our policies and structures will evolve as we receive shareholder feedback over successive reporting periods. Please direct any comments or queries prior to the AGM in writing to the company secretary, Henry Steyn, at [henry.steyn@stor-age.co.za](mailto:henry.steyn@stor-age.co.za).

We look forward to receiving your support on the resolutions for both the remuneration policy and the implementation report at the AGM on 22 August 2019.



**Gareth Fox**  
Remuneration committee Chairman

11 June 2019



# REMUNERATION COMMITTEE REPORT (continued)

## PART TWO THE REMUNERATION POLICY

This remuneration policy is subject to an advisory vote by shareholders at the AGM to be held on 22 August 2019.

### 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 are to:

- Oversee the board's formulation, review and approval of the remuneration policy for employees and executive directors in line with Stor-Age's strategic objectives;
- Assist the board to ensure that executive directors are remunerated fairly and responsibly and in line with remuneration for employees throughout Stor-Age;
- Ensure that the mix of fixed and variable pay in cash, shares and other elements meets the group's needs and strategic objectives;
- Consider and approve the long-term incentive allocations and awards for the CSP for the executive directors and other staff;
- Approve the executive directors' basic salary and increases thereto, as well as the increases for employees throughout Stor-Age;
- Approve remuneration payable to non-executive directors in their respective roles as members of the board and its subcommittees;
- Oversee the preparation of the remuneration report to ensure that it is clear, concise and transparent; and
- Ensure that the remuneration policy and implementation report be put to two non-binding advisory votes by shareholders and engage with shareholders and other stakeholders on the group's remuneration philosophy.

The remuneration committee members are listed on page 48 and their meeting attendance on page 50. All members of the remuneration committee are independent non-executive directors. 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. The remuneration committee chairman reports to the board following each meeting of the remuneration committee.

### 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. The group believes that its remuneration policy plays a critical role in achieving its strategic objectives and that it should be competitive in the market in which it operates.

### REMUNERATION STRUCTURE

Taking into account market trends and competitiveness, the remuneration committee and the board regularly review the appropriate remuneration mix to ensure that it supports Stor-Age's strategic objectives. Currently, the remuneration mix for executive directors consists of a basic salary and participation in the CSP, details of which are set out below.

#### Basic salary

The basic salary is a predetermined cash amount without any further benefits. The amounts paid to the executive directors is set out in note 28.4 of the annual financial statements. The basic salary is reviewed annually based on the company's performance in the previous financial year, individual performance, inflation, affordability and market surveys. Increases in the basic salary are effective from the commencement of the financial year once approved by the remuneration committee.

Benchmarking exercises are conducted to analyse whether the basic salary and remuneration mix is market related and competitive. As mentioned earlier, PwC benchmarked executive director remuneration in 2018. Their report was considered in determining the increase to the basic salary of executive directors.

The remuneration committee has resolved to conduct external benchmarking exercises every three years to ensure that the group's remuneration policy, compensation packages and pay mix are appropriate within the market in which it operates.

### Short-term incentives

The executive directors do not currently participate in any STI. As set out in the chairman's statement, a focus area for the remuneration committee in the year ahead is to consider introducing an appropriate STI.

### Conditional share plan (CSP)

The CSP is an equity-settled long-term incentive plan which will provide employees with the opportunity to be awarded shares in the form a conditional right to acquire shares in Stor-Age. Participants can share in the success of the company and will be incentivised to deliver on the business strategy of Stor-Age over the long term. This will provide direct alignment between the participants – executive directors and key employees – and shareholders.

The salient features of the CSP are set out below:

|                  |  |
|------------------|--|
| Purpose          | Incentivise, motivate and retain select employees through the award of performance shares and retention shares, the vesting of which is subject to continued employment over the vesting period.   |
| Participants     | <p>All permanent employees are eligible to participate, subject to the discretion of the remuneration committee. Although principally intended for senior management and executives, participants will also include operations managers at a property level and staff at a mid-management level who are integral to the company's growth.</p> <p>To be considered for participation, an employee must have been employed by the company for a minimum of 12 months (unless exceptional circumstances apply) and have achieved an above-average performance rating as part of the annual performance appraisal process.</p> |
| Award components | <p>Performance shares – vesting subject to the satisfaction of performance conditions and continued employment for the vesting period; and</p> <p>Retention shares – vesting subject to the satisfaction of continued employment for the vesting period.</p> <p>The retention share component will not exceed 25% of the total award with the remainder being performance shares.</p>  |
| Plan limits      | <p>The overall limit is 8 668 544 million shares (2.2% of shares in issue). The current usage level is equal to 0.3% of shares in issue and 13.2% of the approved capacity.</p> <p>The maximum number of shares which may be settled to any single participant is 3 467 417 (approximately 1.0% of shares in issue at the date of approval of the CSP by shareholders).</p> <p>An annual limit of 0.5% of shares in issue will apply to the awards made in any one period. This limit will be reviewed by the remuneration committee on an annual basis.</p>   |

## REMUNERATION COMMITTEE REPORT (continued)

The salient features of the CSP are set out below (continued):

|                                    |   |                                    |            |                   |          |                      |          |             |          |
|------------------------------------|---|------------------------------------|------------|-------------------|----------|----------------------|----------|-------------|----------|
| Allocation policy                  | <p>The remuneration committee will approve annual awards for participants based on each participants' total guaranteed pay (TGP) using the following guidelines:</p> <table border="0"> <tr> <td data-bbox="459 582 1082 613">Executive directors and management</td> <td data-bbox="1088 582 1361 613">100 – 150%</td> </tr> <tr> <td data-bbox="459 616 1082 647">Senior management</td> <td data-bbox="1088 616 1361 647">60 – 70%</td> </tr> <tr> <td data-bbox="459 649 1082 680">Mid-level management</td> <td data-bbox="1088 649 1361 680">40 – 60%</td> </tr> <tr> <td data-bbox="459 683 1082 714">Other staff</td> <td data-bbox="1088 683 1361 714">20 – 25%</td> </tr> </table> <p>In the determination of awards for executive directors, the remuneration committee may elect to apply a market-related TGP.</p>   | Executive directors and management | 100 – 150% | Senior management | 60 – 70% | Mid-level management | 40 – 60% | Other staff | 20 – 25% |
| Executive directors and management | 100 – 150%  |                                    |            |                   |          |                      |          |             |          |
| Senior management                  | 60 – 70%  |                                    |            |                   |          |                      |          |             |          |
| Mid-level management               | 40 – 60%  |                                    |            |                   |          |                      |          |             |          |
| Other staff                        | 20 – 25%  |                                    |            |                   |          |                      |          |             |          |
| Performance conditions             | <p>Performance conditions include financial measures (75%) and non-financial measures (25%). Further details of the specific performance conditions are set out in the implementation report on page 71.</p>  |                                    |            |                   |          |                      |          |             |          |
| Vesting                            | <p>Awards will vest after three years subject to performance conditions being achieved and the participant remaining employed by Sior-Age for the duration of the employment period. The performance period will run concurrently with the company's financial year end. For the first award made on 13 March 2019 the employment period is approximately three years and six months from the date of the award to the vesting date (1 September 2022).</p> <p>The portion of the performance shares that will vest at each vesting date will be as follows:</p> <ul style="list-style-type: none"> <li>• Threshold achievement of performance (the minimum level of performance for vesting of any incentive) – 50% vesting</li> <li>• Target achievement of performance (the level of performance for payment of an on-target incentive) – 100% vesting</li> <li>• Stretch (a level of performance representing exceptional performance in the context of the current business environment) – 150% vesting</li> </ul> |                                    |            |                   |          |                      |          |             |          |
| Malus and clawback                 | <p>Awards are subject to the company's malus and clawback policy. Malus provisions apply before awards or remuneration have vested or have been paid to an employee, while clawback provisions apply to awards or remuneration that have already vested or been paid to an employee. Further details of the company's malus and clawback policy are set out on page 65.</p>   |                                    |            |                   |          |                      |          |             |          |
| Termination of employment          | <p>Awards are subject to continued employment which means participants must remain employed until the vesting date of the award. If participants leave before the expiry of the employment period, they may lose all or part of the award depending on the circumstances in which they leave. They will either forfeit the award in full ("bad leavers", e.g. dismissal or resignation), or their awards will be pro-rated ("good leavers", e.g. retrenchment, retirement, or termination due to ill-health, disability or death). In the case of good leavers, a pro rata portion of the participant's unvested award shall vest early on date of termination of employment based on the remuneration committee's determination of whether the performance conditions (if any) have been met.</p>  |                                    |            |                   |          |                      |          |             |          |

## 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 achieve direct ownership of Stor-Age shares by the executive directors and selected employees, thereby aligning their interests with that of shareholders. Selected individuals are offered the opportunity to acquire Stor-Age shares on market-related terms by way of an interest-bearing loan, subject to certain performance and eligibility requirements. No awards under the share purchase scheme have been made to general staff since September 2017 with participation restricted to the executive directors and a select group of senior managers considered integral to the company's long-term success. Although the share purchase scheme provides for the grant of options, no options have been granted to date. Non-executive directors are not eligible to participate in the share purchase scheme.

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.

## ALL EMPLOYEE REMUNERATION

All employees receive a basic salary at a level appropriate for their role and responsibilities. Stor-Age regularly reviews the basic salary of all employees to ensure that it remains market related. Employee salaries (excluding directors) for SA and UK staff are reviewed annually in September and in March respectively, 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 the store's financial budget and achieving pre-defined targets. Other permanent employees (excluding executive 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.

## MALUS AND CLAWBACK POLICY

During the year the remuneration committee adopted a remuneration malus and clawback policy, approved by the board, with a view to aligning shareholder interests and remuneration outcomes. It allows the company to reduce or recoup remuneration or awards in defined circumstances such as financial misstatement, gross negligence, misconduct or fraud.

Malus provisions apply before awards or remuneration have vested or have been paid to an employee, while clawback provisions apply to awards or remuneration that have already vested or been paid to an employee. The clawback period will run for three years from the vesting date of the awards.

## REMUNERATION COMMITTEE REPORT (continued)

The policy sets out the circumstances where the board, following the advice of the remuneration committee, may:

- Apply its discretion to adjust the value of an invested award downwards (to zero if required) or cancel invested awards; or
- Pursue remedies to claw back any awards or remuneration that have already vested or been paid

to ensure that remuneration outcomes are fair, appropriate and reflect business performance.

All participants who accepted CSP awards during the year agreed to be bound by the malus and clawback policy and further agreed that all remuneration received from the company will be subject to this policy. During the shareholder engagement process prior to the approval of the CSP, it was recommended that the CSP rules be amended to record that awards be subject to malus and clawback provisions. An amendment to the rules has been proposed for the 2019 AGM.

### 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 considering 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 2020 was approved at the AGM held on 23 August 2018 and is set out below. The proposed remuneration for the year ending 31 March 2021, contained within the notice of the AGM, is also set out below:

| Role  | Approved remuneration<br>31 March<br>2020 | Proposed remuneration<br>31 March<br>2021 | %<br>change |
|---|---|---|-------------|
| Board member                                  | 211 000                                   | 225 750                                   | 7.0%        |
| Chairperson – board                           | 20 000                                    | 21 500                                    | 7.5%        |
| Audit and risk committee member               | 50 000                                    | 53 500                                    | 7.0%        |
| Chairperson – audit and risk committee member | 10 000                                    | 10 750                                    | 7.5%        |
| Social and ethics committee member            | 25 000                                    | 26 750                                    | 7.0%        |
| Remuneration committee member                 | 25 000                                    | 26 750                                    | 7.0%        |
| Investment committee member                   | 30 000                                    | 32 100                                    | 7.0%        |

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.

## PART THREE THE IMPLEMENTATION REPORT

This implementation report is subject to an advisory vote by shareholders at the AGM to be held on 22 August 2019.

### BASIC SALARY

Executive director salaries are reviewed annually. For the year ending 31 March 2019, the remuneration committee approved an increase of 17.5% for executive directors.

Since listing in 2015, Stor-Age has provided executive directors with a very low basic salary and no STI. No salary increases were accepted by the executive directors in 2016 and 2017. In 2018, a nominal 6.0% salary increase was approved by the remuneration committee. 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. The executive directors have continued to execute Stor-Age's growth strategy with considerable success and have overseen significant organic and acquisitive growth over the last three years.

The remuneration committee recognises the importance of ensuring that executive remuneration is fair, competitive and market related. Based on the external benchmarking report prepared by PwC in June 2018, and taking account of more up-to-date disclosures relating to peer group companies included in the benchmark, the remuneration committee is of the view that executive remuneration is below market. The remuneration committee has resolved to address this over the next two financial years.

In light of this, and considering the performance of the executive directors over the past year, the remuneration committee approved an increase in the basic salary for each executive director from R1.5 million p.a. in the 2019 financial year to R2.0 million p.a. in the 2020 financial year.

The remuneration committee approved an average basic salary increase of 7.4% for other employees in SA on 30 September 2018, and an increase of 3.0% for UK employees. In SA, the lowest band of employees by pay grade received a 10.0% increase.

In line with Stor-Age's commitment to fair and responsible remuneration, the remuneration committee carefully considered the increase in remuneration levels of executive directors against the increase for other levels throughout the company and they are satisfied that it is in line with Stor-Age's policy.



## REMUNERATION COMMITTEE REPORT (continued)

### EXECUTIVE DIRECTORS' REMUNERATION

In line with the requirements of King IV and the JSE Listings Requirements, the table below sets out the total remuneration on a single-figure basis received by executive directors in 2018 and 2019:

|                      | Basic salary<br>R'000 | Other benefits<br>R'000 | STI<br>R'000 | Value of<br>LTI vested<br>R'000 | Total<br>R'000 |
|----------------------|-----------------------|-------------------------|--------------|---------------------------------|----------------|
| <b>31 March 2019</b> |                       |                         |              |                                 |                |
| GM Lucas             | 1 500                 | –                       | –            | –                               | 1 500          |
| SJ Horton            | 1 500                 | –                       | –            | –                               | 1 500          |
| SC Lucas             | 1 500                 | –                       | –            | –                               | 1 500          |
| Total                | 4 500                 | –                       | –            | –                               | 4 500          |
| <b>31 March 2018</b> |                       |                         |              |                                 |                |
| GM Lucas             | 1 272                 | –                       | –            | –                               | 1 272          |
| SJ Horton            | 1 272                 | –                       | –            | –                               | 1 272          |
| SC Lucas             | 1 272                 | –                       | –            | –                               | 1 272          |
| Total                | 3 816                 | –                       | –            | –                               | 3 816          |

**Note**

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.

No additional benefits were paid to executive directors. Stor-Age does not have an STI in place for executive directors. No other remuneration or benefits were paid to executives during the year. No LTI awards vested during the year. Details of CSP awards made during the year are set out below.

### LONG-TERM INCENTIVE (LTI)

#### LTI awards during the 2019 financial year

The first tranche of awards under the CSP were made on 13 March 2019. No shares vested during the 2019 financial year.

Details of the awards made on 13 March 2019 are set out below:

|                 | Total number<br>of conditional<br>shares | Performance<br>shares (75%) | Retention<br>shares (25%) | Issue<br>price | Value of<br>award<br>R'000 |
|-----------------|--|-----------------------------|---------------------------|----------------|----------------------------|
| GM Lucas        | 171 625                                  | 128 719                     | 42 906                    | R13.11         | 2 250                      |
| SJ Horton       | 171 625                                  | 128 719                     | 42 906                    | R13.11         | 2 250                      |
| SC Lucas        | 171 625                                  | 128 719                     | 42 906                    | R13.11         | 2 250                      |
| Other employees | 627 918                                  | 470 938                     | 156 980                   | R13.11         | 8 232                      |
| Total awards    | 1 142 793                                | 857 095                     | 285 698                   |                | 14 982                     |

The executive directors and remuneration committee support broad-based equity participation by employees in the company. In addition to the executive directors, a further 38 employees received CSP awards.

The award comprises performance shares (75%) and retention shares (25%). The performance conditions relating to the performance shares comprises financial measures (75%) and non-financial measures (25%), as set out below, and are subject to continued employment until the vesting date. The retention shares

are subject only to continued employment until the vesting date.

The CSP awards made in the 2019 financial year are to be tested over a three-year period commencing on 1 April 2019 and ending on 31 March 2022. The awards vest on 1 September 2022. At the end of the performance period, the remuneration committee assesses the performance and adjusts the number of shares awarded to each participant based on the results thereof.

### Performance conditions

#### Financial measures (75%)

| Performance condition   | Weighting  | Threshold<br>(50% vesting) | Hurdle level             |                           |
|---|------------|----------------------------|--------------------------|---------------------------|
|   |            |                            | Target<br>(100% vesting) | Stretch<br>(150% vesting) |
| Dividend per share growth measured relative to the SAPY or comparable index | 26.25%     | 5%<br>outperformance       | 15%<br>outperformance    | 25%<br>outperformance     |
| Dividend per share growth measured against SA CPI + margin                  | 26.25%     | CPI + 2.25%                | CPI + 2.75%              | CPI + 3.25%               |
| Net asset value growth measured against weighted SA and UK CPI + margin     | 11.25%     | CPI + 2.0%                 | CPI + 2.5%               | CPI + 3.0%                |
| Loan to value ratio   | 11.25%     | 35 – 40%                   | 30 – 35%                 | Less than 30%             |
|   | <b>75%</b> |                            |                          |                           |

#### Notes:

- SAPY refers to The South African Listed Property index and comprises the top 20 liquid companies, by full market capitalisation, in the Real Estate Investment Trust sector with a primary listing on the Johannesburg Stock Exchange, excluding companies in the Resilient stable.
- For each tranche of awards made, 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.
- In the determination of net asset value, the remuneration committee has elected to use tangible net asset value as the most appropriate metric.

The financial performance conditions set out above apply to all participants except for operations staff at a property level (approximately 15% of total CSP award) which will be a combination of the above dividend per share measures (30%) and revenue performance targets (70%) specific to the property, or properties as the case may be, managed. This will ensure that the performance conditions are more relevant and specific to their roles.

#### Non-financial measures (25%)

| Performance conditions | Weighting | Threshold<br>(50% vesting) | Rating                   |                           |
|------------------------|-----------|----------------------------|--------------------------|---------------------------|
|                        |           |                            | Target<br>(100% vesting) | Stretch<br>(150% vesting) |
| Measures set out below | 25%       | 70% score                  | 80% score                | 90% score                 |



## REMUNERATION COMMITTEE REPORT (continued)

The following performance measures will apply to the determination of the non-financial measures score for the executive directors:

|  | CEO<br>GM Lucas | Financial<br>Director<br>SC Lucas | Executive<br>Director:<br>Property<br>SJ Horton |
|--|-----------------|-----------------------------------|---|
| 1. Determining strategy and providing strategic guidance throughout the group in accordance with the company's five-year strategic plan  | 20%             | 10%                               | 10%   |
| 2. Implementing international expansion strategy in accordance with the five-year strategic plan   | 10%             | 5%                                | 15%   |
| 3. Identifying suitable investment and development opportunities and executing in accordance with the property strategy  | 15%             | 10%                               | 20%   |
| 4. Implementing the group's operations strategy including the development and execution of the digital and technology strategy   | 10%             | 10%                               | –   |
| 5. Ensuring that good corporate governance is entrenched throughout the group  | 5%              | 10%                               | 5%  |
| 6. Financial reporting and shareholder communication is carried out in a transparent, accurate, concise and timely manner  | 15%             | 20%                               | 5%  |
| 7. Managing the group's capital structure and resources in a responsible and effective manner to enhance shareholder return by deploying capital prudently and optimising cost of debt | 5%              | 10%                               | 5%  |
| 8. Effective management of energy and utility costs and corporate overheads  | –               | 5%                                | 10%   |
| 9. Implementing sustainable practices such as energy efficiency, renewable energy generation, rainwater harvesting, and storm water management and conservation                        | –               | –                                 | 10%   |
| 10. Implementing the group's transformation strategy and achieving transformation objectives and targets   | 10%             | 10%                               | 10%   |
| 11. Displaying leadership behaviour in accordance with the company's core values   | 10%             | 10%                               | 10%   |
|  | <b>100%</b>     | <b>100%</b>                       | <b>100%</b>                                     |

For other participants, scores will be determined by reference to their individual Key Performance Areas (KPA) 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:

- Overall rating of 6: Employee achieved the required standards (threshold)
- Overall rating of 7 – 8: Employee exceeded the required standards (on-target)
- Overall rating of 9 – 10: Employee achieved exceptional performance (stretch)

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

Selected participants of the share purchase scheme are offered the opportunity to purchase Stor-Age shares by way of an interest-bearing loan from the company to build up a shareholding and share in the long-term success of Stor-Age. The remuneration committee approves the offer to participants to purchase shares under the scheme.

Although the acquisition of shares in this manner 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.

During the year 1 130 000 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 2019, 16 719 440 shares had been issued under the share purchase scheme. This represents 4.25% of shares in issue.

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.

### 31 March 2019

|           | Number of shares '000 | Outstanding balance R'000 | Fair value of shares R'000 |
|-----------|-----------------------|---------------------------|----------------------------|
| GM Lucas  | 4 400                 | 48 387                    | 56 804                     |
| SJ Horton | 4 400                 | 48 387                    | 56 804                     |
| SC Lucas  | 4 400                 | 48 387                    | 56 804                     |
| Total     | 13 200                | 145 161                   | 170 412                    |

### 31 March 2018

|           |        |         |         |
|-----------|--------|---------|---------|
| 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 | 160 371 |

Further details relating to the share purchase scheme and the shareholding of the executive directors are set out in note 4 and 28.3 of the annual financial statements respectively.

## NON-EXECUTIVE DIRECTORS' REMUNERATION

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

|               | 2019 R'000 | 2018 R'000 |
|---------------|------------|------------|
| GA Blackshaw  | 220        | 207        |
| GBH Fox       | 266        | 251        |
| KM de Kock    | 244        | –          |
| MS Moloko     | 266        | 251        |
| P Mbikwana    | 202        | –          |
| PA Theodosiou | 266        | 251        |
| Total         | 1 464      | 960        |

The remuneration to be paid to the non-executive directors for the year ending 31 March 2020 (approved at the AGM held on 23 August 2018), as well as the proposed remuneration for the year ending 31 March 2021 (to be approved by shareholders at the forthcoming AGM), is set out on page 66 of this 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 2019 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 48, and attendance at meetings is set out on page 50.

## FOCUS AREAS OF THE COMMITTEE DURING THE YEAR

As the market-leading self storage business in South Africa, Stor-Age is committed to making a real difference by implementing sustainable business transformation and employment plans. The main area of focus for the committee during the year was the implementation of the 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

A key outcome from the development of the Transformation Plan in the prior year was the formation of a cross-functional transformation committee that is tasked with overseeing the 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 key objectives.

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

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

## 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 74 to 82. 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 continues to be overseeing the implementation of the Transformation Plan. In addition, the committee will continue to oversee the group's stakeholder engagement processes.



**Graham Blackshaw**  
Social and ethics committee Chairman  
11 June 2019

# 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 the lesser of R200 million and 5% of market capitalisation. The committee makes

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

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



**Paul Theodosiou**  
Investment committee Chairman  
11 June 2019



# ACTING SUSTAINABLY

Driven by our core value of Sustainability, we believe that every single decision or action 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. 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 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.

### 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 Johannesburg City and Midrand in Gauteng. The PV systems installed at these four properties have rendered electricity consumption savings in line with what was projected for each system as part of our phase one roll-out. We have now identified an additional 16 properties as part of a phase two roll-out, which will increase the combined systems' capacity to c. 670 kW. These new systems are scheduled to be installed in the 2020 financial year.

## 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 the municipal supply when necessary.

As many of our properties provide the benefit of significant roof space, we have installed these systems at 17 locations across the portfolio.

At our head office in Claremont, Cape Town, water is supplied by rainwater harvested from the roof as well as via a borehole situated below the basement-level parking garage. These natural sources provide sufficient capacity to permanently supply the property – and its estimated 60 employees – with the necessary water required to service our washing and ablution

facilities. This is a significant contribution to the water-saving efforts being made in this region. Other initiatives to supplement and conserve the municipal water supply include the pumping and storing of ground water for irrigation purposes at three properties, borehole installations at two properties and tap aerators being installed at all 16 properties in the Western Cape.

## 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 lives of people in 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.

Highlights of these initiatives include:

#### SANTA SHOEBOX PROJECT

This is the seventh consecutive year that Stor-Age has partnered with the Santa Shoebox Project. Read more about this partnership from page 30.

#### STOR-AGE BURSARY

Stor-Age is providing a bursary to a postgraduate student at the University of Cape Town for the 2019 academic year. The bursary was awarded to a previously disadvantaged female student who is studying towards a BSc (Honours) in Property Studies.

This initiative supports socio-economic development in the property sector.

#### WUPPERTHAL AND OVERSTRAND FIRES

In December 2019, a devastating fire caused extensive damage to the historical town of Wuppertal in the Western Cape and left over 200 people homeless. Stor-Age worked alongside community organisations to encourage the donation of much-needed everyday items through a social media campaign and by opening all Stor-Age stores as drop-off locations. This campaign was highly successful, with several self-storage units filled to capacity with donations. We then arranged for these items to be delivered to the Wuppertal community.

Similarly, when fires extensively damage the Overstrand region in January 2019, we opened our stores and collected and distributed donations to affected communities.



## 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.
- Our learning capability was supported during the year by the engagement of LinkedIn Learning, an on-demand e-learning platform.
- 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 every employee's role within the business and the competencies required to deliver value in their roles. 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

In our anonymous employee surveys, participants described these courses as:

- “Great”
- “Well-presented”
- “Energised”
- “Productive”



\* The above information applies to the group's South African business.

## LEARNING AND DEVELOPMENT FRAMEWORK



### LEADERSHIP DEVELOPMENT WORKSHOPS

By invitation. Strategic management and leadership development



### MANAGEMENT DEVELOPMENT WORKSHOPS

By invitation. Further development of management skills and techniques



### GROWTH DEVELOPMENT WORKSHOPS

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 contact centre training, dealing with debtors, operating system extension training, health and safety training



### 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 WORKSHOPS AT REGIONAL TRAINING CENTRES

Three-day programme (level 2) hosted by the Learning and Development (L&D) Team



### OPERATIONS ORIENTATION PROGRAMME

Five-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.

In the year prior, the board engaged with various consultants 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

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

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.

To improve our employee value proposition, extensive research was conducted to source the leading medical aid for our employees. Accordingly, Momentum Health was selected as the medical aid best suited to our company profile. We also selected gap cover from Sanlam, which was voted as the best comprehensive gap cover in the South African market in 2019.

We recognise that wellness is an integral part of driving productivity and retaining skilled talent as it creates a supportive environment. As part of our ongoing wellness initiative, we will launch a healthcare benefit

in 2020 that aims to promote a healthy lifestyle, increase awareness and enable our staff to take control of their well-being. It will also leverage internal communication channels and incentives to encourage our employees to make better use of the various health and wellness services available to them.

“ 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 that they 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. 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.



“ To control our risk and ensure high levels of health and safety (as well as our own standards) are maintained, we implement and manage stringent guidelines that include courtesy procedures. ”

#### 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
- 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.

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.

“ To discuss other aspects of workplace health and safety and track and monitor performance, quarterly meetings are conducted across the portfolio. ”

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
- 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

