

Remuneration Report

This report outlines Spear's remuneration policy which encapsulates short- and long-term incentive programmes and how the policy will be implemented.

Remuneration committee

In a bid to align the remuneration policy of Spear with the best practice guidelines set out in King III, Spear's remuneration committee has been appointed by the board of directors and has been granted the delegated authority, in accordance with the terms of reference, to formulate, review and make decisions regarding the remuneration policies and the execution thereof within the business in a balanced and effective manner. The terms of reference were formally adopted by the board of directors during the current reporting period and the following members were appointed to the committee:

- Jalal Allie
- Niclas Matseke
- Abu Varachhia

All members of the committee are non-executive directors. The committee meets three times per reporting period. Other members of the board and any remuneration committee appointed consultants attend meetings by invitation.

The remuneration committee has benchmarked industry standards of similar size REITs to assist in the formulation, review and enactment of Spear's remuneration policy.

The following duties were fulfilled by the remuneration committee during the reporting period:

- Review and enact Spear's remuneration policy, which includes high-quality human capital recruitment, retention and termination of senior executives.
- Approval of the overall pay mix for executive directors, including long-term incentives (LTI) and short-term incentives (STI).
- Approval of the LTI as a share plan along with the related vesting conditions.
- Approval of the STI and related award criteria.
- Approval of non-executive directors' fees and increases.
- Approval of executive directors' guaranteed remuneration and increases.

Remuneration policy

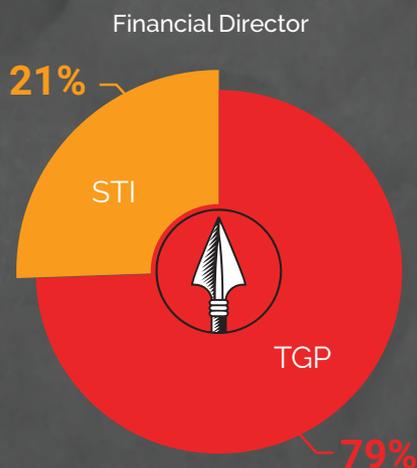
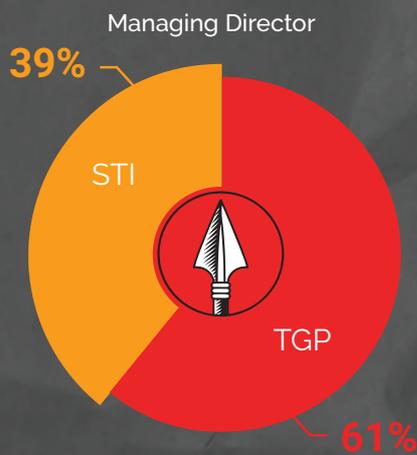
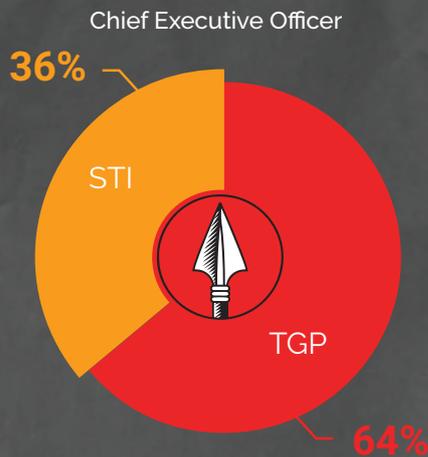
Spear has adopted a culture that seeks to attract and retain motivated, high-caliber and appropriately skilled real-estate-focused executives. The latter culture will ensure that Spear achieves its short-, medium- and long-term strategic objectives and to maximize shareholder returns. From inception, Spear's management has ensured that there is a strong alignment between management and shareholders, given management's sizeable investment in Spear. It is the ethos of this remuneration committee to take into regard a fair and reasonable approach to executive remuneration with collective regard given to Spear's performance, the individual's performance as well as the relevant benchmarks used to arrive at any decision.

Benchmarking and pay composition

The remuneration committee has taken the policy decision to perform external benchmarking exercises every three years to ensure that Spear has an effective and appropriate remuneration policy and pay composition. It has been agreed that the remuneration committee will apply inflationary adjustments to all categories of pay in years two and three.

Executive remuneration will effectively comprise a total guaranteed pay, and short- and long-term incentive programmes. The latter is implemented to ensure that at all times there is a string alignment between executive interests and those of the shareholders of Spear.

Spear pay mix period ended 28 February 2017



Total guaranteed pay

This is the composition of an executive director's guaranteed cash salary and related benefits, determined by the position and responsibilities of the role, performance in the role and experience in the position. The total guaranteed pay that was paid to the executive directors in the period is detailed in note 23 to the financial statements.

The remuneration committee has approved a 7% aggregate increase in total guaranteed pay for general staff for the following financial year.

Short-term incentives

Introduction

Spear has adopted an incremental increasing short-term incentive programme. The programme provides for a clear alignment of executive strategies to ensure that Spear is the benefactor of the highest possible distribution per share in any given period. The remuneration committee has applied the incremental increase model in a manner that rewards overperformance achieved by the executive directorate of Spear and is a material informant when determining bonuses.

After approval by the remuneration committee, short-term incentives become due and payable annually once the audited financial results upon which the incentives are based have been released.

Short-term incentive targets

The remuneration committee sets the economic targets for the STI on an annual basis. The measurement metric for the STI is distribution per share, as measured against the annual budget set by management. The short-term incentive scheme is effectively an overperformance remuneration model based on rewarding executives once budgeted distribution per share has been exceeded by the metrics on an incremental basis, based upon the level of overperformance on distribution per share compared to the budgeted forecast.

The table on the following page sets out the forecast STI as approved by the remuneration committee after the period ended 28 February 2017 and will be based on forecast performance for the year ended 28 February 2018.

Remuneration Report (continued)

Level of performance	Measure	Share of % over forecast DPS	Rand value of STI pool	Total STI as % share of total DPS
Forecast	Forecast DPS	0	–	0
On target	Forecast DPS + 10%	15	1 668,708	1.4
Stretch	Forecast DPS + 15%	30	5 006,123	3.9

Long-term incentives

The long-term incentive programme has been established to attract, retain and reward executives through the annual award of share options in Spear. The long-term incentive programme provides an opportunity for the executive directors to share in the growing success of Spear and to be continuously incentivised to deliver on the key strategic objectives set by Spear over the long term. This will also reinforce key alignment between executive directors and Spear shareholders. Currently the long-term incentive programme vests over a 5-year period in equal shares of 20% per annum. The remuneration committee has adopted a tranche-based pricing model which will see the first tranche of long-term incentive allocations taking place in the coming period.

The long-term incentive programme is part of a maximum performance and comprehensive skills retention strategy to ensure that targets are achieved and human capital preservation is maintained within Spear. The remuneration committee has adopted a performance criterion which is based on distribution per share growth (60%) and net asset value per share growth (40%).

All benefits of the STI and LTI are subject to the executive director being and remaining in the employ of Spear.



Carecross Building, Mill Street, Newlands

Non-executive directors' fees

Non-executive directors do not have employment contracts and do not receive any benefits associated with permanent employment. Their fees as directors are determined as a base fee and attendance fee based on their board and committee obligations. Non-executive directors receive an annual board retainer. In addition, a fee is paid for attending board and committee meetings.

All board members reside in Cape Town and Spear does not pay for any travelling and accommodation expenses in respect of board meetings. The fees paid to the non-executive directors during the review period are detailed in note 23 to the annual financial statements.

The proposed fees for 2017/2018 are detailed below and will be implemented from 1 September 2017 if approved by the shareholders at the AGM.

2017/2018	Base fee	Attendance fee
Chairperson of the board	400 000	–
Board member	200 000	–
Chairperson of the audit and risk committee	–	7 000
Member of the audit and risk committee	–	5 000
Chairperson of other sub-committees	–	7 000
Member of other sub-committees	–	5 000

Based on the meetings set for the period, the total fees payable in the coming period will amount to R1 272 000. The increase in the fees is due to the fees being paid for a full financial period, the appointment of an additional board member and the increase in the number of meetings to be held in the coming year.

Jalal Allie
Chair: Remuneration Committee

27 June 2017