

Growthpoint Properties Ltd	F2018	30 June 2018
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Remuneration policy/report

The remuneration policy is well set out but the targets are set quite low. Less than 4% of shares represented were voted against the policy, while slightly more than 6% (2017 – 36%) were against the implementation report (2017 – 35%)

We voted against the policy and report for the reasons set out below.

We are concerned that the executives continue to be awarded exceptionally high STI benefits when the company's operating income after inflation declined for the past 2 years and the current level of building vacancies is the highest for many years. Notwithstanding this, Remco scored management at 98% performance achievement in 2018 which indicates that the targets are easily achievable. The composition of Remco is also a source of concern, as its members have served for many years and we also do not consider the chairman to be independent. Some of the members have been on the board for too long and are unlikely to be independent.

Last year shareholders voiced concern about the lack of challenging targets set for management, and the board appears to have taken note, with indications of a revised approach for 2019.

The cash remuneration paid to the chief executive amounts to 335 times (F2017: 301 times) a notional R60 000 minimum salary while the chairman received 42 times (F2016: 42 times). These ratios are regarded to be very high and consequently unacceptable for the CEO, and high for the chairman.

Social and environmental

The company produces a separate ESG report which is available on their website, providing comprehensive details.

The company provides rental subsidies to registered NGOs. Spending on CSI is increased to R35.9m (2017 - R23,6m) benefiting 4 046 (2017 - 6 646) individuals; but it is not clear whether this includes rental subsidies.

Environmental issues: A further 1,9 GWh of installations were installed, with a total value at R167m, while R36m was spent on water initiatives. Energy usage in 2016 at 824 606 MWh was reduced to 680 243 MWh in 2018.

Total Scope 1,2 and 3 carbon emissions reduced from 785 532 tCO₂e in 2017 to 639 412 tCO₂e in 2018.

King IVI compliance register

From a governance perspective, Growthpoint adheres to the King IV Code of Corporate Governance and it discloses a register of compliance.

However, we are concerned about the extremely long tenures of directors. Of the 14 directors only 6 are considered to be independent by the company itself, which does not reflect alignment with the principles of the Code. Furthermore, only 3 of these 6 directors are considered independent by us as they have served for fewer than 9 years. The chairman is not considered to be independent as he has been on the board for more than 15 years, and also serves on the board of overseas subsidiaries, which we consider to be unacceptable.

Directors with tenures of more than nine years			
Name of director	Year of appointment	Number of years in service	Status
MG Diliza*	2001	17 years	Not independent
PH Fechter**	2003	15 years	Not independent
JC Hayward	2001	17 years	Independent
JF Marais	2003	15 years	Not Independent
R Moonsamy	2005	13 years	Independent
FJ Visser	2001	17 years	Independent

* B-BBEE partnership
 ** In view of the number of Growthpoint shares under Mr Fechter's control, he is perceived by some share holders to be non-independent, notwithstanding the fact that the Board is satisfied that he is able to, and does, apply his mind independently at Board and committee meetings.

RAITH investment criteria

There are currently no signs that Growthpoint is involved directly, or plans to become involved in areas that would be objectionable in terms of the RAITH criteria.