

Notes to the consolidated financial statements continued

for the year ended 30 June

25. Employee remuneration

Equity-settled share-based employee remuneration

On 1 January 2014, the group implemented a long-term employee incentive scheme (the conditional share plan (CUP)), which consists of two components – performance shares and retention shares. Both the performance and the retention components of the scheme are settled in Hyprop shares.

In terms of the CUP, fully paid awards are made on an annual basis, comprising performance shares and retention shares. The split between performance and retention shares is 70%:30% for all participants.

Performance shares

The performance conditions for the shares allocated as performance shares are as follows:

- Growth in distribution per share relative to the peer group (weighting 40%)
- Share price performance relative to the peer group (weighting 40%)
- A strategic component, which is determined by the remuneration committee in line with the prevailing circumstance and projects at the time of the award (weighting 20%).

Each of the performance conditions is measured over a three-year performance period. Participants must be employed until the end of the vesting period to be eligible for the award.

Retention shares

Retention shares vest after five years, provided the participant is still employed by the group.

	Number of performance shares	Number of retention shares
Reconciliation of shares allocated in terms of the CUP		
Unvested at 30 June 2016	283 588	121 539
Granted	86 961	36 063
Forfeited	(3 368)	(405)
Vested	(106 370)	(3 591)
Unvested at 30 June 2017	260 811	153 606
Granted	84 840	35 114
Forfeited	(15 446)	(5 588)
Vested	(94 390)	(1 312)
Unvested at 30 June 2018	235 815	181 820
2017 – weighted average remaining vesting period (years)	1,0	2,5
2018 – weighted average remaining vesting period (years)	1,1	2,0

The weighted average share price of the shares that vested during the year was R105,99 (2017: R123,46).

25. Employee remuneration continued

Equity-settled share-based employee remuneration continued

The fair value of share options granted was determined using the Black Scholes model using a volatility metric of 20%. Expected dividends were incorporated into the valuation based on the historical dividend yield. The inputs used in the valuation, as well as the fair value arrived at, are detailed below.

Unvested equity instruments	Performance shares	Retention shares
Tranche 1		
Grant date		1 January 2014
Vesting period ends		31 December 2018
Fair value of the share option at grant date		R57,98
Share price at grant date		R76,50
<i>The inputs used in the measurement of the fair value at grant date were as follows:</i>		
Expected life		5 years
Risk-free rate after taxation		5,75%
Dividend yield (historic)		5,54%
Tranche 1 of the performance shares vested during the prior year at a fair value of R123,46 per share.		
Tranche 2		
Grant date		1 July 2014
Vesting period ends		30 June 2019
Fair value of the share option at grant date		R59,08
Share price at grant date		R79,51
<i>The inputs used in the measurement of the fair value at grant date were as follows:</i>		
Expected life		5 years
Risk-free rate after taxation		5,88%
Dividend yield (historic)		5,94%
Tranche 2 of the performance shares vested during the current financial year at a fair value of R105,99 per share.		
Tranche 3		
Grant date	1 July 2015	1 July 2015
Vesting period ends	30 June 2018	30 June 2020
Fair value of the share option at grant date	R105,76	R96,68
Share price at grant date	R121,00	R121,00
<i>The inputs used in the measurement of the fair value at grant date were as follows:</i>		
Expected life	3 years	5 years
Risk-free rate after taxation	5,97%	5,97%
Dividend yield (historic)	4,49%	4,49%
Tranche 4		
Grant date	1 July 2016	1 July 2016
Vesting period ends	30 June 2019	30 June 2021
Fair value of the share option at grant date	R112,56	R102,32
Share price at grant date	R129,89	R129,89
<i>The inputs used in the measurement of the fair value at grant date were as follows:</i>		
Expected life	3 years	5 years
Risk-free rate after taxation	6,26%	6,26%
Dividend yield (historic)	4,77%	4,77%
Tranche 5		
Grant date	1 January 2017	1 January 2017
Vesting period ends	31 December 2019	31 December 2021
Fair value of the share option at grant date	R100,11	R90,07
Share price at grant date	R117,31	R117,31
<i>The inputs used in the measurement of the fair value at grant date were as follows:</i>		
Expected life	3 years	5 years
Risk-free rate after taxation	6,43%	6,43%
Dividend yield (historic)	5,28%	5,28%

Notes to the consolidated financial statements continued

for the year ended 30 June

25. Employee remuneration continued Equity-settled share-based employee remuneration continued

Unvested equity instruments	Performance shares	Retention shares
Tranche 6		
Grant date	1 July 2017	1 July 2017
Vesting period ends	30 June 2020	30 June 2022
Fair value of the share option at grant date	R97,66	R86,70
Share price at grant date	R116,76	R116,76
<i>The inputs used in the measurement of the fair value at grant date were as follows:</i>		
Expected life (years)	3	5
Risk-free rate after taxation (%)	6,4	6,4
Dividend yield (historic) (%)	6,0	6,0
The executive directors were allocated the following percentages of the total shares allocated:	Pieter Prinsloo (CEO)	Laurence Cohen (FD)
	%	%
Tranche 1		
Retention shares	19	10
Tranche 1 of the performance shares vested during the prior financial year		
Tranche 2		
Retention shares	20	11
Tranche 2 of the performance shares vested during the current financial year	20	11
Tranche 3		
Performance shares	20	11
Retention shares	20	11
Tranche 4		
Performance shares	20	11
Retention shares	21	11
Tranche 6		
Performance shares	20	11
Retention shares	21	11

The charge to the statement of profit or loss and other comprehensive income for the year ended 30 June 2018 amounted to R10,9 million (2017: R12,7 million). As the above are equity-settled share-based payments, the accounting treatment recognises the share-based payments in profit or loss on a straight-line basis over the vesting period, with a corresponding credit to equity.