

J1.3 Directors' interests in Hyprop shares

Group and Company	June 2020			June 2019		
	Direct beneficial	Indirect beneficial	Total	Direct beneficial	Indirect beneficial	Total
Independent non-executive directors	35 000	-	35 000	30 500	2 940	33 440
Non-executive directors	-	378 000	378 000	-	378 000	378 000
Executive directors ⁽¹⁾	180 565	45 370	225 935	88 871	1 870	90 741
Total	215 565	423 370	638 935	119 371	382 810	502 181

⁽¹⁾ Includes shares awarded under the CUP

Details of directors' remuneration are included in note K1 – Directors' remuneration.

K. REMUNERATION

K1 DIRECTORS' REMUNERATION

K1.1 Remuneration

Group and Company June 2020	Fees R'000	Basic salary R'000	Pension fund contributions R'000	Performance bonus R'000	Vested shares R'000	Other benefits R'000	Total R'000
Independent non-executive directors							
Gavin Tipper (chairman)	902	-	-	-	-	-	902
Zuleka Jasper	506	-	-	-	-	-	506
Mike Lewin ⁽¹⁾	221	-	-	-	-	-	221
Nonyameko Mandindi	440	-	-	-	-	-	440
Thabo Mokgatlha	652	-	-	-	-	-	652
Stewart Shaw-Taylor	705	-	-	-	-	-	705
Annabel Dallamore ⁽²⁾	444	-	-	-	-	-	444
Non-executive directors							
Kevin Ellerine	438	-	-	-	-	-	438
Louis Norval	438	-	-	-	-	-	438
Executive directors							
Morné Wilken (CEO)	-	4 507	303	590	-	36	5 436
Brett Till (CFO)	-	2 685	247	541	-	60	3 533
Wilhelm Nauta (CIO)	-	2 639	178	700	-	60	3 577
Total	4 746	9 831	728	1 831	-	156	17 292

⁽¹⁾ Retired with effect from 2 December 2019

⁽²⁾ Appointed with effect from 1 October 2019

K. REMUNERATION *continued***K1. DIRECTORS' REMUNERATION** *continued***K1.1 REMUNERATION** *continued*

Group and company June 2019	Fees R'000	Basic salary R'000	Pension fund contributions R'000	Performance bonus R'000	Vested shares R'000	Other benefits R'000	Total R'000
Independent non-executive directors							
Gavin Tipper (chairman)	807	-	-	-	-	-	807
Lindie Engelbrecht ⁽¹⁾	230	-	-	-	-	-	230
Zuleka Jasper	479	-	-	-	-	-	479
Mike Lewin ⁽²⁾	421	-	-	-	-	-	421
Nonyameko Mandindi	383	-	-	-	-	-	383
Thabo Mokgatla	567	-	-	-	-	-	567
Stewart Shaw-Taylor	637	-	-	-	-	-	637
Non-executive directors							
Kevin Ellerine	397	-	-	-	-	-	397
Louis Norval	397	-	-	-	-	-	397
Executive directors							
Morné Wilken (CEO)	-	2 087	162	-	-	492	2 741
Wilhelm Nauta (CIO)	-	2 432	280	2 186	-	77	4 975
Brett Till (CFO)	-	1 719	295	-	-	33	2 047
Pieter Prinsloo (former CEO) ⁽³⁾	-	2 493	118	3 708	1 751	447	8 517
Laurence Cohen (former CFO) ⁽⁴⁾	-	202	35	-	-	66	303
Total	4 318	8 933	890	5 894	1 751	1 115	22 901

⁽¹⁾ Resigned with effect from 30 November 2018⁽²⁾ Retired with effect from 2 December 2019⁽³⁾ Resigned with effect from 31 January 2019⁽⁴⁾ Resigned with effect from 31 July 2018**K1.2 Reconciliation of number of shares outstanding under the CUP for executive directors**

Group and Company June 2020	Outstanding at the beginning of the year # of shares	Awarded # of shares	Forfeited # of shares	Vested # of shares	Outstanding at the end of the year # of shares	Market value of shares outstanding at the end of the year R'000
Morné Wilken (CEO)	37 190	48 043	-	-	85 233	1 908
Wilhelm Nauta (CIO)	26 754	24 450	(5 982)	-	45 222	1 013
Brett Till (CFO)	18 927	25 183	-	-	44 110	988
Total	82 871	97 676	(5 982)	-	174 565	3 909
June 2019						
Morné Wilken (CEO)	-	37 190	-	-	37 190	2 598
Wilhelm Nauta (CIO) ⁽¹⁾	16 742	10 012	-	-	26 754	1 869
Brett Till (CFO)	-	18 927	-	-	18 927	1 322
Pieter Prinsloo (former CEO)	88 045	29 715	(109 123)	(8 637)	-	-
Laurence Cohen (former CFO)	47 541	-	(47 541)	-	-	-
Total	152 328	95 844	(156 664)	(8 637)	82 871	5 789

⁽¹⁾ The unvested shares shown for Mr Nauta include all share allocations granted during his tenure, including prior to becoming an executive director on 5 July 2018

K1.3 Reconciliation of value of shares outstanding under the CUP for executive directors

Group and Company June 2020	Outstanding at the beginning of the year ⁽²⁾ R'000	Awarded ⁽³⁾ R'000	Forfeited ⁽²⁾ R'000	Vested R'000	Change in market value R'000	Outstanding at the end of the year at market value ⁽⁴⁾ R'000
Morné Wilken (CEO)	2 598	3 301	-	-	(3 991)	1 908
Wilhelm Nauta (CIO)	1 869	1 680	(418)	-	(2 118)	1 013
Brett Till (CFO)	1 322	1 730	-	-	(2 064)	988
Total	5 789	6 711	(418)	-	(8 173)	3 909

⁽²⁾ Shares outstanding at the beginning of the year and shares forfeited are valued at the closing share price of R69.87 on 30 June 2019

⁽³⁾ Shares awarded during the year are valued at the 30 day VWAP on grant date of R 68.71

⁽⁴⁾ Shares outstanding at the end of the year are valued at the closing share price of R22.39

June 2019	Outstanding at the beginning of the year ⁽⁵⁾ R'000	Awarded ⁽⁶⁾ R'000	Forfeited ⁽⁵⁾ R'000	Vested R'000	Change in market value R'000	Outstanding at the end of the year at market value ⁽⁷⁾ R'000
Morné Wilken (CEO)	-	3 301	-	-	(703)	2 598
Wilhelm Nauta (CIO)	1 713	889	-	-	(733)	1 869
Brett Till (CFO)	-	1 680	-	-	(358)	1 322
Pieter Prinsloo (former CEO)	9 011	2 638	(9 898)	(1 751)	-	-
Laurence Cohen (former CFO)	4 865	-	(4 865)	-	-	-
Total	15 589	8 508	(14 763)	(1 751)	(1 794)	5 789

⁽⁵⁾ Shares outstanding at the beginning of the year and shares forfeited are valued at the closing share price of R102.34 on 30 June 2018

⁽⁶⁾ Shares awarded during the year are valued at the 30 day VWAP on grant date of R 88.77

⁽⁷⁾ Shares outstanding at the end of the year are valued at the closing share price of R69.87

K1.4 Share-based payments expense

The following amounts were recorded in the statement of profit and loss with respect to directors.

	Group and Company	
	June 2020 R'000	June 2019 R'000
Morné Wilken (CEO)	2 037	484
Wilhelm Nauta (CIO)	1 473	880
Brett Till (CFO)	1 101	246
Total	4 611	1 610

K. REMUNERATION *continued***K2 SHARE-BASED PAYMENTS****K2.1 Accounting policy***Long-term benefits – share-based payments*

The Company operates an equity-settled share-based conditional share plan (CUP) for its employees.

The grant date fair value of equity-settled share-based payment arrangements granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

All share-based remuneration is ultimately recognised as an expense in profit or loss, with a corresponding increase in equity over the vesting period. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of shares expected to vest.

The CUP consists of two components – performance shares and retention shares, both of which are settled by the issue of Hyprop shares. The allocation between performance and retention shares is 70%:30% for all participants. Awards under the CUP are made on an annual basis.

Performance shares

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

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

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.

K2.2 Reconciliation of number of shares outstanding under the CUP

	Group and Company		Group and Company	
	Performance shares		Retention shares	
	June 2020	June 2019	June 2020	June 2019
Outstanding at the beginning of the year	210 547	235 815	141 513	181 820
New awards granted	187 420	135 583	80 330	58 116
Vested and settled by the issue of Hyprop ordinary shares	(35 962)	(49 336)	(26 762)	(37 465)
Forfeited	(5 982)	(111 515)	-	(60 958)
Outstanding at the end of the year	356 023	210 547	195 081	141 513
Weighted average remaining vesting period (years)	1.4	1.5	2.8	1.1

K2.3 Movement reconciliation - share-based payment reserve

	Group and Company	
	June 2020 R'000	June 2019 R'000
Opening balance at 1 July	20 286	27 443
Release of reserve on vesting of shares	(6 476)	(8 513)
Share-based payment expense	14 003	10 365
Forfeitures	(2 208)	(9 009)
Balance at the end of the year	25 605	20 286

K2.4 Valuation methodology

The day-one fair value of the awards granted under the CUP is determined based on the 30-day VWAP of Hyprop shares ending on the grant date, as specified in the CUP rules. Volatility is calculated based on historic volatility for the preceding year. The fair value of each outstanding tranche of share awards is detailed below:

Performance shares	Tranche 6	Tranche 7	Tranche 8	Tranche 9
Number of awards granted	84 840	96 302	39 281	187 420
Share price at grant date (R)	116.76	102.34	81.50	68.87
Grant date	01-Jul-17	01-Jul-18	01-Jan-19	01-Jul-19
Vesting period ends	30-Jun-20	30-Jun-21	31-Dec-21	30-Jun-22
Black Scholes valuation				
Fair value of shares at grant date (R)	97.66	81.99	61.69	49.34
Expected life (years)	3	3	3	3
Volatility (%)	20	20	20	19
Risk-free rate after taxation of 28% (%)	6.4	6.4	6.4	6.0
Dividend yield (%)	6.0	7.4	9.3	11
% allocated to executive directors on grant date (%)	31.0	28.9	100.0	36.5

Tranche 4 of the performance shares vested during the year at a fair value of R61.17 per share.
Tranche 5 of the performance shares were forfeited during the year.

Retention shares	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8	Tranche 9
Number of awards granted	33 549	33 499	2 564	35 114	41 281	16 835	80 330
Share price at grant date (R)	121.0	129.89	117.31	116.76	102.34	81.50	68.87
Grant date	01-Jul-15	01-Jul-16	01-Jan-17	01-Jul-17	01-Jul-18	01-Jan-19	01-Jul-19
Vesting period ends	30-Jun-20	30-Jun-21	31-Dec-21	30-Jun-22	30-Jun-23	31-Dec-23	30-Jun-24
Black Scholes valuation							
Fair value of shares at grant date (R)	96.68	102.32	90.07	86.7	70.72	51.24	39.50
Expected life (years)	5	5	5	5	5	5	5
Volatility (%)	20	20	20	20	20	20	19.3
Risk-free rate after taxation of 28% (%)	6.0	6.4	6.4	6.4	6.4	6.4	6.4
Dividend yield (%)	4.5	6.0	6.0	6.0	7.4	9.3	11.1
% allocated to executive directors on grant date (%)	31.0	31.0	31.0	31.0	28.9	100.0	36.5

Tranche 2 of the retention shares vested during the year at a fair value of R59.96 per share.

K. REMUNERATION *continued***K3 RETIREMENT BENEFITS****K3.1 Accounting policy**

A defined contribution plan is a post-employment benefit plan under which the Company pays contributions to a separate entity. The Company has no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Company contributions to defined contribution plans are recognised as an employee benefit expense when the related services have been rendered.

K3.2 Profile

All permanent employees must be members of the Uncover Pension Fund (an umbrella defined contribution fund) (the fund), except those who elect not to be members in terms of section 197 of the Labour Relations Act 66 of 1995 (LRA).

In addition to the post-retirement benefits, the fund provides comprehensive death, disability, funeral and universal education cover for all members.

K3.3 Retirement benefits - expense

	Group and Company	
	June 2020 R'000	June 2019 R'000
Defined contribution fund	13 859	12 587