ACTIVE SHAREHOLDER

VOTE YOUR SHARES. SECURE YOUR FUTURE

Spear REIT Limited

https://spearprop.co.za/pdf/integrated-reports/Spear-IR-2025.pdf

Annual General Meeting

30 June 2025

Financial Year End: 28 February 2025

Proxies voted	No of shares
Vunani: The Labour Research Trust	45 000
Vunani: Social Action Change Trust	95 000
Vunani: Ditikeni Trust	135 000
Sanlam: Ditikeni Trust	150 000

Spear REIT's integrated annual results for the year ended 28 February 2025 indicate increased financial and operational activity, though core shareholder payout growth remained modest. Total revenue rose by 12.10% and net operating income by 10.45%. Distributable income per share (DIPS) grew by a modest 3.08% to 85.55 cents, with total distribution per share (DPS) increasing by 3.06% to 81.27 cents on a 95% payout ratio. The loan-to-value (LTV) ratio decreased to 27.09% (from 31.64%), and the interest cover ratio (ICR) stood at 3.34 times. Tangible net asset value (TNAV) per share increased by 3.57% to R12.20, and the company maintained a high collection rate of 98.59%.

A transformative R1.146 billion acquisition of 13 assets from Emira Property Fund was finalised in October 2024. This acquisition significantly expanded the portfolio value by 19.54% to R5.5 billion and increased gross lettable area by 93,500m^2. The acquisition yield was reported at 9.46%, expected to rise to 10.1%. Funding included substantial disposals totalling R603 million, indicating significant capital recycling rather than purely expansionary funding. Operational achievements included improved overall occupancy to 97% and progress on solar PV generation, reaching 10.1MW and meeting 21% of core portfolio energy demand. A positive rental reversion of 4.18% was also noted.

The reported operating environment was challenging, marked by a "tough macroeconomic environment," including intermittent loadshedding, crime, high unemployment, and national infrastructure issues. While the Western Cape location offered relative resilience, these external factors present ongoing constraints.

From a critical perspective, several points warrant attention. The forward-looking guidance for FY2026 DIPS growth (4-6%) is notably based on assumptions such as "no loadshedding occurs" for the remainder of FY2026 and specific South African Reserve Bank repo rate cuts.

Executive remuneration outcomes require scrutiny. Despite the modest DIPS growth (3.06%), executives received substantial short-term incentives (STI) outcomes (150% of target for both CEO and CFO, although the financial modifier was 102%) and high vesting rates for long-term incentives (LTI). The LTI performance conditions linked to DPS growth over a multi-year period resulted in 100% vesting for the company performance portion. This could imply that targets for maximum vesting may not have represented a demanding 'stretch' level, raising questions about whether performance conditions were "sufficiently challenging or relevant" as recommended by governance guidelines. The disclosed increase in the ratio of the CEO's total guaranteed pay (TGP) to the average employee TGP, reaching 15.32%, highlights a notable pay gap. While disclosed, the report lacks a detailed analysis linking this outcome to King IV's recommendation for executive remuneration to be fair and responsible in the context of overall employee remuneration.

Furthermore, while 70% of the portfolio underwent independent valuations in FY2025 (meeting JSE requirements for property entities), the remaining 30% were valued internally by management. Property valuations inherently rely on subjective inputs like discount and capitalisation rates, introducing estimation risk, despite auditor review. The use of non-IFRS SA REIT Best Practice Recommendations (BPR) metrics is disclosed, with a note that these do not comply with IFRS, requiring users to consult the full IFRS statements for complete financial understanding.

In conclusion, Spear's FY2025 was marked by portfolio growth through a significant acquisition and solid operational performance but was constrained by external economic headwinds. The reported financial growth for shareholders was modest, and a critical assessment of areas like executive remuneration and future guidance reveals dependencies on external factors and potential questions regarding the degree of challenge of the performance benchmarks.

	Resolution	Rationale	Vote	Outcome of AGM
	Presentation of audited Annual Financial Statements (AFSs) and reports	Active considers it best practice to allow shareholders the opportunity to adopt the AFSs. However, it is not a requirement to do so, and few companies do this. Spear does not, choosing to include them in a portmanteau Agenda item covering all the reports. The auditors are satisfied that the financial statements present the group's financial position and performance fairly in all material respects, concluding their work with an unqualified opinion. While acknowledging the significant judgment involved in property valuations, their testing and review procedures did not identify issues requiring modification of their opinion. We urge that the AFSs be offered for adoption in future.		
	To present the report of the Social and Ethics Committee	Active considers it best practice to allow shareholders the opportunity to adopt the Social and Ethics Committee's report. Spear includes the report in a portmanteau Agenda item covering all the reports. We urge that this report be offered for adoption in future.		
Ordinary Resolutions				
OR 1	Retirement and re-election of Mr. B Raziya as director	Independent Non-Executive Director, active on Audit, Remuneration (Chair), and Social & Ethics committees. Nearing 9 years of tenure. Shareholding (2.60%) linked to a guarantee of R60 million by Spear to Nedbank is a factor for independence consideration. Active cannot endorse his re-election.	AGAINST	FOR: 99.87%
OR 2	Retirement and re-election of Mr. BL Goldberg as director	Executive Director. Sits on Audit, Remuneration, Social & Ethics committees. He is described as independent in some places and as an executive in others. His executive status on these key governance committees is noted as being against code recommendations, which favour independence. In light of this confusion, we cannot support his re-election.	AGAINST	FOR: 99.87%
OR 3	Retirement and re-election of Mr. CS McCarthy as director	Independent Non-Executive Director, Nominations committee member. Nearing 9 years tenure. Shareholding (4.77%) is a factor for independence consideration in terms of Active Shareholder policy. Active considers is independence compromised and cannot support his re-election.	AGAINST	FOR: 99.87%
OR 4	Confirmation of appointment of Mrs. J Solms as director	Her detailed experience in the real estate sector, investment banking, and management (COO) demonstrates relevant skills for a REIT board.	FOR	FOR: 100.00%
OR 5	Re-appointment of Mr. JE Allie as member of the audit and risk committee	Spear REIT's report classifies Mr. Allie as independent, and his qualifications are suitable for the committee role. There are concerns related to his tenure exceeding 9 years and his former executive position, both of which are potential impairments to independence, even if the company's board has concluded otherwise after its assessment. Active cautiously support his re-appointment.	FOR	FOR: 87.63%

OR 6	Re-appointment of Mr. BL Goldberg as member of the audit and risk committee	Given our reservations expressed in OR 2, we do not support his re-appointment.	AGAINST	FOR: 99.87%
OR 7	Re-appointment of Mr. B Raziya as member of the audit and risk committee	Given our reservations expressed in OR 1, we do not support his re-appointment.	AGAINST	FOR: 99.87%
OR 8	Appointment of Mrs. J Solms as member of the audit and risk committee	Mrs Solms qualifications (Chartered Accountant) and extensive experience in relevant sectors (property, investment banking, listed property company management) as detailed in her CV provide her with the required qualifications, experience and expertise for this role.	FOR	FOR: 100.00%
OR 9	Re-appointment of Mrs. RL Phillips as member of the social and ethics committee	Dr. Phillips' extensive professional experience in areas such as public health, human resources, ethics, and future trends, coupled with her prior experience as an SEC chairperson at another listed entity, makes her skills and experience highly appropriate.	FOR	FOR: 100.00%
OR 10	Re-appointment of Mr. BL Goldberg as member of the social and ethics committee	Given our opposition to his re-election as a director, we are against this re-appointment.	AGAINST	FOR: 99.87%
OR 11	Re-appointment of Mr. B Raziya as member of the social and ethics committee	Given our opposition to his re-election as a director, we are against this re-appointment.	AGAINST	FOR: 99.87%
OR 12	Re-appointment of Mr. QM Rossi as member of the social and ethics committee	As CEO, he is responsible for setting the strategic trajectory of the business and executing the overall group strategy, which includes a focus on ESG-focused outcomes. We support this proposal.	FOR	FOR: 100.00%
OR 13	Re-appointment of BDO South Africa Incorporated as the auditor of the Company	Spear discloses that BDO South Africa Incorporated has been the auditor of Spear REIT Limited for 10 years. The Audit and Risk Committee explicitly addresses this tenure, stating they are satisfied that the auditor's independence is maintained and has not been impacted by tenure due to robust internal BDO processes, including partner rotation, training, and monitoring of non-audit services. The designated partner has been rotated for 2025.	FOR	FOR: 98.56%
Non-binding advisory votes				
OR 14	Non-binding advisory vote on Spear's remuneration policy	1. **<u>Executive Directors' Remuneration</u>:** • **Fixed Pay**: The fixed annual pay (TGP) for Executive Directors is reviewed annually. Spear conducts internal and external benchmarking exercises every four years. For FY2026, Executive Directors received an aggregate increase of 9.46% in TGP, with specific increases for the CIO (18.24%) and COO (9.60%) to align their TGP with PwC benchmarks. • **Short-Term Incentive**: The STI is a cash bonus linked to performance against contracted deliverables. Performance is evaluated against distributable income per share (DIPS) as measured against the annual budget, personal Key Performance Indicators (KPIs), and performance against peers. The STI is calculated using the	AGAINST	FOR: 90.44%

		algorithm: STI = On-target incentive% x Personal modifier x Financial modifier. The on-target incentive is 40% of TGP for the CEO and 35% of TGP for the CFO. The personal modifier ranges from 0% to 150%, based on individual objectives. The financial modifier ranges from 100% to 200%, depending on how Spear's growth exceeds the average growth of a benchmark group of South African JSE-listed REITs. The maximum STI payable is 120% of TGP for the CEO and 105% of TGP for the CFO. STI payments are structured so they cannot dilute the group's DIPS and DPS to shareholders below the board-approved forecast growth targets. • **Long-Term Incentive**: The LTI programme, specifically the Conditional Share Plan (CSP), awards are made annually and entitle individuals to shares, with vesting occurring every fourth year. The conditions for LTI awards include both financial and non-financial measures, with key weightings for performance shares being 70% based on growth in DIPS and 30% based on growth in Net Asset Value (NAV) per share. Awards are subject to the fulfilment of pre-determined performance conditions. Settlement can be a market purchase of shares, use of treasury shares, issuance of new shares, or a cash fall-back provision. Executives are required to build up a minimum shareholding requirement of two times their TGP over five years, retaining a minimum of 50% of net shares issued from vested awards. • **Ratio of Fixed to Variable Pay**: Based on the FY2025 implementation report for the CEO, the approximate ratio of Fixed to Variable pay was 1.14:1 and for the CFO, the approximate ratio was 0.98:1. **2. <u>Non-Executive Directors' Remuneration</u>**: • Non-Executive Directors (NEDs) receive a fixed fee for their services with the Chairman of the board receiving a higher fixed fee. • NEDs receive an additional attendance fee for duties on committees. • NED fees are benchmarked internally and externally every four years against comparable peers in the market. **3. <u>Remuneration of Other Staff</u>:** Pay for non-executive employees consists of a fixed salary and includes basic pay and benefits. For FY2026, employees received a 6.45% aggregate increase in total guaranteed pay. They also participate in an LTI scheme through the Conditional Share Plan (CSP), which is based on individual and company performance. Active Shareholder finds the report confusing and the justifications given poorly formulated and unconvincing.		
OR 15	Non-binding advisory vote on Spear's	In FY 2025 **CEO** Quintin Rossi received R12,083,000 [Salary: R3 616,000, Other benefits: R379,000, STI: R2,759,000, LTI vested: R2,180,000, and	AGAINST	FOR: 98.87%

	implementation report on the remuneration policy	Total share-based payment expense: R3,148,000.] **CFO** Christiaan Barnard received R9,685,000 [Salary: R2,563,000, Other benefits: R281,000, STI: R1,711,000, LTI vested: R2,180,000, Total share-based payment expense: R2,951,000]. **Proposed Fees for Non-Executive Directors** • Chairman of the board: Annual fee: R830,061 • Deputy Chairman: Annual fee: R815,749 • Board member (not serving on a committee): • R357,785 • Chairperson of a committee: Attendance fee (per meeting): R8,000 • Member of a committee: Attendance fee (per meeting): R6,000 **Internal pay ratio CEO to employees** • CEO's TGP to average employee is reported as 15.32% It is confusing to report a ratio as a percentage. By extrapolation this implies the average salary of other employees is R4,607,304, which seems unlikely. The JSE Sustainability Disclosure Guidance notes that companies should report the "Ratio between the CEO's total annual remuneration and the median, lower quartile, and upper quartile of the total annual remuneration of all the organisation's employees (excluding the CEO)" [JSE Sustainability Disclosure Guidance June 2022.pdf, p. 55]. Active Shareholder regards the Implementation Report as flawed and cannot support this proposed resolution.		
Ordinary Resolutions				
OR 16	General authority to issue ordinary shares for cash	The proposed general authority being sought largely conforms to the key quantitative and approval requirements of the JSE LR. The resolution text does not explicitly detail the maximum discount or explicitly state that the shares must be issued to public shareholders and not related parties, although this is stated in the explanatory notes. The notice also does not provide information to assess the prior use of such authority. Active Shareholder would prefer a more clearly worded resolution and motivation.	AGAINST	FOR: 91.31%
OR 17	Amendments to the rules of the Spear REIT Limited Conditional Share Plan	Spear aims to amend its Conditional Share Plan rules to obtain necessary approval for changes to the aggregate share settlement limit, reflecting shifts in share capital since the plan's 2018 adoption. Active Shareholder supports this.	FOR	FOR: 84.26%

Special Resolutions				
SR 1	Remuneration of non-executive Chairman of the board	Spear's proposed Chairman's fee of R815,749 represents approximately a 14.7% increase from his FY2024 fee of R711,000, which is justified as “market catch-up”. We do not support this.	AGAINST	FOR: 92.34%
SR 2	Remuneration of non-executive Deputy Chairman of the board	The proposed Deputy Chairman's fee of R815,749 is approximately a 16.7% increase from his FY2024 fee of R699,000. We do not support this.	AGAINST	FOR: 92.73%
SR 3	Remuneration of chairman of a committee of the board	To make an approximate comparison, if a "Board member" at Spear (who has an annual base fee of R357,785) also chairs a committee that meets, for example, 3 times a year (which is typical, as per meetings reported for Audit and Risk Committee, Investment Committee, etc.), their total estimated annual remuneration would be R357,785 (base) + (3 meetings * R8,000) = R381,785. This estimated figure for a Spear committee chairperson (who is also a general board member) is lower than the JSE Top 200 median "Board member" all-inclusive fee of R428,000 reported by PwC for 2024. Despite this, we cannot support the proposal as the entire policy is poorly conceived.	AGAINST	FOR: 99.86%
SR 4	Remuneration of member of a committee of the board	Spear's approach of structuring NED remuneration as a "fixed fee for services as a director and an additional attendance fee for duties on committees" aligns with the general Active Shareholder guideline that NED fees "generally take the form of a base fee plus committee fees". Despite this, we cannot support the proposal as the entire policy is poorly conceived.	AGAINST	FOR: 99.87%
SR 5	Remuneration of member of the board	Using the same reasoning as above, we do not support the resolution.	AGAINST	FOR: 92.34%
SR 6	Inter-company financial assistance	This special resolution lacks sufficient detail about the recipients, reasons, and terms, raising concerns about potential conflicts of interest. The resolution's broad scope regarding the nature of assistance, terms, and beneficiaries limits the shareholders' ability to assess legitimate uses of company funds. Approving such a resolution could lead to value destruction and hidden remuneration. By opposing this resolution, we aim to encourage a more transparent, detailed explanation of financial assistance, restricting approval to clearly defined necessities.	AGAINST	FOR: 97.36%
SR 7	Financial assistance for the subscription	Special Resolution 6 is structured to align with the Companies Act and appears consistent with	FOR	FOR: 92.28%

	and/or purchase of shares in the Company or a related or inter-related company	the general recommendations of major proxy advisors like ISS, particularly by excluding financial assistance to directors and ensuring board oversight of fairness and financial health.		
SR 8	Share repurchases by Spear and its subsidiaries	Spear explicitly states that it has no immediate plans to use this authority but seeks it out of "prudence and good corporate governance should the unforeseen need arise”. This authority is subject to the provisions of Sections 46 and 48 of the Companies Act, the company's Memorandum of Incorporation, and the JSE Listings Requirements, but the lack of detail about the intended use of the measure means Active Shareholder cannot support the proposal.	AGAINST	FOR: 98.87%
SR 9	Amendments to the Company’s memorandum of incorporation	The proposed amendments to Spear's Memorandum of Incorporation (in Special Resolution 9, linked to Section 48(8) of the Companies Act) reflect recent changes in the Companies Amendment Act, No. 16 of 2024, which clarify that one-on-one contractual repurchases are not schemes of arrangement, therefore Active Shareholder supports the proposal.	FOR	FOR: 100.00%

AGM OUTCOME