



# grit

## Long Term Incentive Plan Policy

Revision History

Revision reference	Date	Description of changes
V01	June 2021	New LTIP rule implemented in 2021
V02	June 2022	Addition of Group Performance Conditions for CPF

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## 1 INTRODUCTION

This document sets out the general rules and guidelines for the Long Term Incentive Scheme of Grit Real Estate Income Group, its subsidiaries and associates hereafter referred to as 'the Group' and is supported by the Scheme Rules as described in Annexure A of this policy.

The Long Term Incentive Scheme (hereinafter the **LTI**) comprises two separate parts; one for employees (including Executive Directors) of the Company's group (referred to as "**Part 1**" or the "**Employee Plan**") and the other part for consultants and employees of associated companies to the Company (known as "**Part 2**" or the "**Consultants Plan**"). The principal terms of both Parts 1 and 2 of the Scheme are substantially similar and references in this policy to the LTI are to both Parts 1 and 2, unless expressed to the contrary.

The HR executive maintains the LTI policy. Any material changes to the LTI Policy must be authorised in writing by the Remuneration and Nominations Committee

## 2 TERMINOLOGY

An **LTI award** is an incentive award funded by corporate performance over a fixed three-year period beyond minimum threshold levels. Such a reward is made at the discretion of the Remuneration Committee to eligible individuals who achieve a minimum moderated performance rating score each year. The LTI is therefore an award that varies each year in accordance with annual corporate performance of the Group and of the individual. Eligible employees have no contractual right to participate in the LTI and be granted an LTI award, even if they have been granted an LTI award in a prior year.

The term **Total Guaranteed Package (TGP)** is given the same meaning as referred to in the Remuneration Policy, i.e. the total guaranteed cost to the Group of employing an incumbent and includes all fixed and regular monthly income, allowances but excludes any allowances paid in respect of the Expatriate Relocation Allowances.

## 3 OBJECTIVES OF THE LTI SCHEME

The purpose of the long term incentive (LTI) Scheme is to provide a long term performance and retention incentive scheme which helps align the interests of the participants with the company's shareholders, by motivating them, through participation, to increase the long term growth in shareholder returns, the achievement of certain key strategic objectives and to aid in maintaining a stable Senior Executive team.

The LTI is a key driver of the Group's strategic priorities. This is demonstrated through the careful selection of performance criteria (key performance indicators - KPIs) that are aligned to the Group's strategy and result in performance sustained over the longer term, in line with shareholder interests and long term value creation.

Specifically, the LTI Scheme has been designed to help:

- Attract and Retain key employees and consultants
- Align reward programmes with shareholder expectations
- Link rewards to organisational success over a fixed performance period
- Provide wealth accumulation opportunities

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- Deliver market competitive total compensation
- Reward employees for exceeding minimum levels of individual performance, referred to as the Individual Performance Factor (IPF); and
- Support the sustained achievement of the Group’s objectives and to achieve specific value drivers of corporate performance, referred to as the Corporate Performance Factor (CPF).

An improved business performance will put the Group in a position to reward employees whose performance contributed to targeted outcomes.

#### 4 GUIDING PRINCIPLES

The LTI Scheme reinforces the remuneration philosophy of ‘performance-based pay’ and helps to develop and maintain a performance oriented culture. Performance related pay is characterised by meaningful differentiation of variable pay in accordance with robust performance targeting and measurement over a fixed performance period of at least three-years.

It is intended that the LTI shall be operated and LTI awards granted on an annual basis. Each LTI award will be subject to its own distinct three-year performance period. This helps ensure that key employees have a continuing and meaningful interest in the ongoing long-term performance of the Group. Performance conditions will not be retested at the end of the relevant performance period. Annual LTI awards with different forward looking three-year performance periods and targets help ensure that eligible individuals and participants are not overly reliant and incentivised by large up-front one-off awards, which can sometimes lead to the wrong behaviours.

The measurement of individual contribution towards the achievement of the business objectives will be an outcome of the Group’s performance management system. In addition to the achievement of specific and set performance conditions and targets, awards shall also be subject to the satisfaction of an underlying financial performance underpin.

The corporate performance metrics and targets for the LTI Scheme will be reviewed annually and set at the time of grant of an LTI award to effect continuous improvement in line with market conditions and the business strategy.

The LTI Scheme will be applied consistently across all business units and all participating individuals; although as noted above, no eligible individual has a right to participate in the LTI, or to participate on an annual basis.

Variable pay does not form part of the conditions of employment for employees. Variable pay is in addition to guaranteed pay and will change from year to year. Therefore, any payment under a variable pay scheme is not guaranteed and requires Board approval prior to being communicated to employees.

#### 5 DESIGN CONSIDERATIONS

- Eligible individuals include Group employees (including employees of associated companies) and consultants
- No consideration payable to participate and no requirement to invest (or reinvest STI) in the LTI
- Performance conditions and targets determined and set at the award date

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- Performance measured over a fixed three-year performance period prior to the vesting of an award and no retesting
- Performance also subject to the satisfaction of an underlying financial performance underpin, to be tested and considered by the Board
- Timing and frequency of grants
- Dividend accrual payments may be made (in cash or shares) on vesting in respect of vested shares and by reference to dividends paid during the vesting period
- Malus and clawback (permitting the recover of awards and vested shares)
- Participants required to retain and hold a percentage of vested shares for a period of up to two years post vesting
- Tax & Accounting considerations - designed to minimise the impact of dilution to current shareholders while maintaining dividend yields
- Legal Implications to participants
- Impact on the Company (POEM, tax, etc.)

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## 6 GENERAL RULES

### 6.1 Eligible Staff

Staff eligible to participate in the LTI Scheme will be restricted to:

- Executive team, Senior Management and Key Talent
- Employees and consultants who perform a key or strategic role. The determination of key or strategic roles will be at the sole discretion of the Remuneration committee. Key or strategic employees and/or consultants are typically those who are accountable for, and contribute to, the achievement of key business performance measures
- New Employees and consultants who are eligible to participate in the LTI Scheme must have successfully completed their probation period in order to qualify for an award (normally 9 months)

### 6.2 Minimum period of performance

An employee must have completed their probation period to be eligible for participation in the LTI Scheme.

### 6.3 Performance period

The Measurement Period will not be less than three years, subject to early curtailment for 'good leavers' and the occurrence of a takeover and certain corporate events. It is intended that the start of the Measurement Period will be the start of the financial year in which a grant is made (it may not start before that date), regardless of when the grant is made during that year. The end of the Measurement Period is then the end of the third financial year from and including the year of the grant. The Measurement Period may not be retested at the end of the three-year performance period and any part of the award that has not vested in line with performance will lapse.

### 6.4 Underpin

All awards will be subject to the satisfaction of a general performance underpin under which the Board will assess whether the level of vesting is, in its opinion, also reflective of the Company's underlying financial performance over the Measurement Period. If the Board determines that the level of proposed vesting is not reflective of the Company's underlying financial performance the Board may reduce the extent to which an LTI award vests.

### 6.5 Annual Share Allocation

In line with good UK corporate governance and institutional expectations, LTI awards may normally only be granted during the period of 42 days after date of announcement of the Company's results for any period (i.e. annual or half-year).

Awards may also be granted at any other time when the Board determines that exceptional circumstances exist which justify the grant of awards (e.g. on recruitment of a key senior executive).

It is intended that LTI awards will normally be made annually following the approval and date of announcement of the Annual Financial Statements of the Group.

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Allocation of shares are linked to job level, performance, and value available for distribution as approved by Remuneration Committee. No eligible individual shall be granted an award over shares that have a value (at grant) higher than the award granted (or which could have been granted) to the Company's Chief Executive Officer.

#### **6.6 Employees who are not eligible for an LTI payment**

Employees undertaking full-time studies throughout the performance period, and employees rated between 1-2 on the rating scale or, who are under disciplinary review, are not eligible for an LTI award.

#### **6.7 Amendments and approvals**

The Board may at any time amend the Scheme in any way. However, the Board must obtain prior shareholder approval for any amendments or alterations to a key feature (e.g. Scheme limits, the rights of vesting etc) that are to the material advantage of participants.

No amendment may be made to a subsisting award that is to the material disadvantage of the participant without that participant's prior written consent or the consent of participants holding a majority of the subsisting awards effected by the change.

#### **6.8 Discretion**

In addition to the performance underpin, the committee also retains the discretion to review and moderate any LTI awards to avoid unexpected outcomes.

Awards under the LTI Scheme are not guaranteed and management reserves the right to amend the design of the scheme from time to time, within the rules and (where required) subject to the approval of the Company's shareholders in general meeting.

The Remuneration committee may decide to cancel the future operation of the LTI and not grant and further awards if:

- fails to meet the objectives for which it was established; or
- produces outcomes which are not in the best interests of the Group.

The Remuneration committee may not, however, unilaterally cancel or forfeit any existing award, or amend the terms of an existing award to the material disadvantage of a participant, without the prior consent and approval of that participant.

### **7. VESTING RULES (AS PER THE SCHEME RULES)**

Shares shall normally vest in the hands of the Beneficiaries after three years, subject to the scheme rules. On vesting, participants will normally be required to retain and hold a proportion of the vested shares (e.g. 50%) less any share sold to pay tax, until the expiry of a two-year holding period. Vested shares may not be forfeited during the holding period.

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## 8. "GOOD LEAVER" "BAD LEAVER" BENEFITS

- The 'Good' Leaver benefit is prorated and remains subject to performance over the three-year performance period unless the Remuneration committee permit a 'good' leaver's award to vest early, in which case performance will be measured over a shorter period
- A 'Bad' Leaver forfeits all current and future entitlements, but can retain any vested shares that have been acquired.
- A holding period will normally apply to all leavers; however, vested shares will not be forfeited during the holding period either for good or bad leavers.
- Intragroup transfers will not equate to a termination
- Participants will forfeit any unvested rights/shares if they cease group employment in any circumstances other than "Good Leaver" circumstances. Similar rules apply to consultants, save that awards held by a consultant who is a good leaver will only vest to the extent determined by the Remuneration committee
- Good leaver circumstances include death, retirement (per the standard employment terms and conditions), redundancy, total and permanent disablement, injury, illness, the sale or transfer of the participant's employer or business out of the Group, or any other reason permitted by the Remuneration committee
- In respect of consultants and employees of associated companies, a good leaver reason also includes:
  - where that person can no longer provide the services they were contracted to provide to the group or an associated company of the Company by reason of death, injury or disability; or
  - whose contract for services to the Company's group or an associated company of the Company terminates in the normal course at the end of any fixed or contractual term and the participant has, in the opinion of the Board, satisfactorily provided the services they were contracted to provide;
  - the group member, associated company or business to which the participant provides services is sold or transferred out of the Company's group, or ceases to be an associated company; or
  - where the participant is or subsequently becomes an employee of an associated company or a member of the Company's group, that participant ceases to be a director or employee for one of the good leaver reasons under Part 1 as summarised above.
- A good leaver will be entitled to retain a pro-rated number of awards, related to the number of whole months served over the vesting period, subject to performance.



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## 9. INDIVIDUAL AND PLAN LIMITS

No LTI award will be granted to an eligible person if this will cause the aggregate market value (at grant) of all shares to be issued or transferred to that person pursuant to any award granted under the Scheme in that financial year to exceed 150 per cent (200 per cent in exceptional circumstances) of their annual base salary or (in the case of a consultant under Part 2) annualised fee.

LTI awards may be satisfied using newly issued shares, treasury shares or shares purchased in the market.

The total aggregate number of shares that may be issued (or committed to be issued) pursuant to awards made under the Scheme on any day must not exceed 10 per cent of the ordinary share capital of the Company in issue immediately before that day, when added to the total number of shares issued or issuable pursuant to options and awards granted in the previous 10 years under the Scheme and under any other share plan (including any other plans that permit awards to be granted to consultants and non-employees) operated by the Company.

A similar 5 per cent in 10 years limit applies to awards granted under any discretionary share plan (which includes the Scheme).

## 10. HOLDING PERIODS

Vested Shares subject to awards granted to or held by the Company's executive directors and any other eligible person so selected by the Remuneration and Nomination committee shall normally only vest and be released if the relevant participant has agreed to retain and not dispose of 50 per cent (or such higher percentage determined by the committee) of those vested Shares (less any Shares sold to pay tax on vesting or exercise, or the cost of exercising an option) during a holding period of up to two-years starting on the date on which the relevant award vests.

## 11. DIVIDEND ACCRUALS

The Remuneration committee may decide that participants will receive a payment (in cash and/or shares) on or shortly following the vesting of their LTI awards, of an amount equivalent to the dividends that would have been paid on those shares between the time when the awards were granted and the time when they vest. This amount may assume the reinvestment of dividends. Alternatively, participants may have their awards increased as if dividends were paid on the shares subject to their award and then reinvested in further shares.

## 12. RISK SHARING

No consideration is required to participate in the LTI: in particular, participants are not required to reinvest any portion of any STI's.

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### 13. LTI SCHEME PERFORMANCE FACTORS

The grant of an award to an eligible individual is at the absolute discretion of the Remuneration committee.

In considering whether or not to grant an award, the Remuneration committee may have regard to any factors and key performance indicators (both internal and external), it considers relevant in the circumstances.

The satisfaction of pre-grant performance conditions is not a pre-requisite for determining whether or not an award will be granted or the value of that award; however, the Remuneration committee may have regard to (amongst other things) both an Individual Performance Factor (**IPF**) and a Corporate Performance Factor (**CPF**) when considering whether or not to approve the grant of an award.

Other key determinants to be considered before agreeing to grant awards include consideration of the number of shares issued or issuable under the LTI scheme and any other scheme in the previous 10 years and ensuring that the LTI scheme dilution limits are managed and not exceeded. The Remuneration committee shall also consider and take into account the cost of issuing shares to satisfy LTI awards, the Group's tax liability (in particular, any employer social security costs) and the cost for accounting for share based payments that must be provided for in the Group's accounts.

The Remuneration committee shall be responsible for ensuring that the Company's LTI award grant programme is sustainable and that the Group has sufficient resources to satisfy all LTI awards that vest.

#### 13.1 Individual performance

Where relevant, the Individual Performance Factor (IPF) will be determined from the moderated individual performance appraisal rating of the eligible participant. The IPF table for the current financial year is set out in the attached Appendix.

Where IPF is considered, then as a general rule individual performance must exceed a minimum standard, which is a minimum moderated performance rating to be eligible for an LTI Scheme award. The moderation will be such that the ratings are aligned with the overall corporate performance of the Group each year.

In exceptional circumstances the Remuneration committee may, in its absolute discretion, grant an LTI award to an eligible person whose individual performance does not exceed a minimum standard.

The achievement by an eligible individual of a minimum standard IPF rating does not guarantee or give any contractual right to the grant of an LTI award or the value of an award to be granted.

#### 13.2 Corporate performance

For the purposes of considering whether or not an LTI award is made, and the value of the award made, the Remuneration Committee may also have regard to Corporate Performance Factors. In particular, the Remuneration committee may decide not to make an award during a financial year where corporate performance is below agreed minimum thresholds of company performance.

Corporate performance will be a combination of performance metrics weighted according to their relative importance. These metrics and weightings may change each year in accordance with the

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changing strategic imperatives of the Group. The corporate performance factors for the current financial year are set out in the attached Appendix.

The achievement of minimum CPFs performance targets does not guarantee or give any contractual right to the grant of an LTI award or the value of an award to be granted.

For the avoidance of any doubt, whether or not a CPF and/or IPF is used to determine whether an award shall be granted and the value of that award, all LTI awards granted shall be subject to the satisfaction of forward looking performance conditions to be measured over a fixed three-year period.

### 13.3 Assessment of performance

Where relevant, at the end of the financial year the Remuneration and Nominations committee will agree the actual achievement against the individual KPIs and corporate KPIs (based on audited results), to determine the IPF and the CPF.

The Remuneration committee shall then have regard to, but shall not be bound by, these determinations and assessments of IPF and CPF when considering whether or not to grant awards. The final determination of any LTI award shall however be at the absolute discretion of the Remuneration committee.

## 14 ROLES AND RESPONSIBILITIES

### 14.1 The Board

- The Board is responsible for the operation and administration of the Scheme, as subject to Applicable Laws, and has the discretion to decide whether and on what basis the Scheme shall be operated.
- No member of the Board may form part of any quorum or make decisions in relation to matters concerning LTI awards to be granted to or held by that member.

### 14.2 Remuneration Committee

- To review and approve the LTI Policy and material amendments for submission to the Board for ratification.
- To recommend and approve the LTI Scheme awards to the Board for ratification
- To exercise discretions and make determinations regarding LTI awards granted to executive directors and members of the senior executive team

### 14.3 Human Resources

- To facilitate and advise on remuneration matters.
- To obtain benchmark remuneration data from the peer group comparators

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## Appendix A : Performance Conditions

### 1. Corporate Performance Factor

Achievement against performance conditions will be based on Performance Conditions

The percentages will be assigned as follows:

Financial Based Metrics	Target	Weightage
Total (accounting) return - measured by EPRA NAV movements between period plus dividend yield (calculated on opening NAV)	12% / *15%	60%
Total property return - i.e. "portfolio performance"	3%	10%
Growth in EPRA earnings per share	2%	5%
Resulting %		75%

*\*Post Glow*

Non-Financial - Strategic target metrics	Target	Weightage
EPRA Occupancy Rate	95%	5%
Staff Satisfaction Score	75%	5%
<b>ESG KPI's per Grit sustainability policy</b>		
i. Reduction of Carbon Footprint by 2025	25%	2.5%
ii. Improvement of Building efficiency by 2025	25%	2.5%
iii. Women in Leadership positions (gender diversity)	40%	5.0%
iv. Local Employee representation	65%	5.0%
Resulting %		25%
		<b>100%</b>

### 2. Timing of LTI Awards

LTI awards are made approximately 4 months after the financial year end.