

SAFESTORE Plc.

Engagement rationale

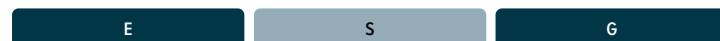
Safestore Plc. (SAFE) is a real estate company providing self storage facilities for its customer and business (e-commerce) tenants. The Board of Safestore requested input on proposed changes to the Safestore Director’s remuneration policy.

Background

Appropriate management compensation (both variable and fixed) is important from a governance perspective but also from an environmental perspective as ESG goals should be clearly defined and carry significant weight in the remuneration policy.

Theme for engagement

- Remuneration linked to ESG target



Engagement objectives

- Bring more balance between fixed and variable compensation as the current remuneration policy is too much tilted towards variable compensation.
- Bring current overhead expenses (SG&A) back inline with UK peers as the current vesting of the LTIP program has SAFE screen negative on excessive overhead (which we subtract from their NAV as return leakage)
- We advise to make ESG targets explicit in the variable compensation and to give it meaningful weight. Meaningful weight implies approx. 30% of the KPIs of the company assigned to ESG targets. The weight assigned to ESG targets in the current remuneration policy is too low (circa 7%). Key ESG KPIs for us would be the net zero target on all 3 scopes, externally verified, by 2035 (Safestore has committed already, and management’s variable compensation should be directly aligned).

Development

Neutral

Milestone



Engagement results

- The Board of Safestore pro-actively reached out to us for input on the remuneration policy which is deemed appropriate governance behavior.
- We have given the Board written input with the aim to bring more balance in the fixed and variable compensation and moving it to standard market practice and increase the weight of ESG targets in the LTIP.
- We discussed these items in a call on April 23, 2023 with Safestore’s BoD Chair of the remuneration committee Mrs. Laure Duhot. We agreed on the following:
 - Re-balance variable and fixed pay: moving to standard market practice. Variable component structurally reduced.
 - 3-year base salary increase in-line with rest of Safestore employees.
 - ESG KPIs minimum of 10% of LTIP supporting the scope 1-3 net zero target in 2035.
 - In 2026 (over 3 years) the ESG weight in the LTIP will further increase with even more ambition goal setting like becoming net-energy positive post 2035.
 - We believe Storage (like Logistics) has a great opportunity to become net energy positive (using solar on rooftops, having little energy consumption themselves, and thus giving back solar-generated energy to the local community e.g. EV loading, battery storage for local tenants, or returning to the grid).

Next steps

- Engagement is successfully closed.



Company

Safestore Plc is a mid-cap self storage real estate company with presence in the UK and Continental Europe.

Country

United Kingdom

Sector

Real Estate

Market cap

Mid Cap

Kempen Fund

European Property Fund

Materiality

Proper management incentivization contributes to good governance and sufficiently weighing ESG targets in remuneration policies.

ESG Research

MSCI ESG Rating: AA
Sustainalytics: 12.8 (low risk)

Engagement initiated

Q1 2023

Latest update

Q1 2023

