NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2016

25. Employee remuneration

Equity-settled share-based employee remuneration

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

The terms and conditions of the long-term employee incentive scheme were approved at the Hyprop annual general meeting on 5 December 2013.

25.1 Performance 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 shares and retention shares is 70%:30% for all participants.

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

- Growth in distribution per share relative to a peer group (weighting 40%)
- Share price performance relative to a peer group (weighting 40%)
- Strategic component, which will be 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 will be measured over a three-year performance period. Participants must be employed until the end of the vesting period to be eligible for the award.

25.2 Retention shares

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

25.3 Reconciliation of shares allocated in terms of the CUP

	Number of performance shares	Number of retention shares
Unvested at 30 June 2014	107 563	46 100
Granted	110 422	47 324
Forfeited	(3 368)	(1 443)
Unvested at 30 June 2015	214 617	91 981
Granted	78 282	33 549
Forfeited	(7 955)	(3 757)
Vested	(1 356)	(234)
Unvested at 30 June 2016	283 588	121 539

25. Employee remuneration continued

25.3 Reconciliation of shares allocated in terms of the CUP continued

	Performance shares	Retention shares
Tranche 1		
Grant date	1 January 2014	1 January 2014
Vesting period ends	31 December 2016	31 December 2018
Fair value of options at grant date	R61,50	R54,77
Share price at grant date	R76,50	R76,50
The inputs used in the measurement of the fair value at grant date were as follows:		
Expected life	3 years	5 years
Volatility	20,00%	20,00%
Interest-free rate after taxation of 28%	5,75%	5,75%
Dividend yield	5,79%	5,79%
Tranche 2		
Grant date	1 July 2014	1 July 2014
Vesting period ends	30 June 2017	30 June 2019
Fair value of options at grant date	R65,55	R58,12
Share price at grant date	R79,51	R79,51
The inputs used in the measurement of the fair value at grant date were as follows:		
Expected life	3 years	5 years
Volatility	20,00%	20,00%
Interest-free rate after taxation of 28%	5,88%	5,88%
Dividend yield	6,01%	6,01%
Tranche 3		
Grant date	1 July 2015	1 July 2015
Vesting period ends	30 June 2018	30 June 2020
Fair value of options at grant date	R105,76	R96,68
Share price at grant date	R121,00	R121,00
The inputs used in the measurement of the fair value at grant date were as follows:		
Expected life	3 years	5 years
Volatility	20,00%	20,00%
Interest-free rate after taxation of 28%	5,97%	5,97%
Dividend yield	4,49%	4,49%

The executive directors were allocated the following percentages of the total shares allocated:

	Pieter Prinsloo (CEO)	Laurence Cohen (FD)
Tranche 1		
Performance shares	19%	10%
Retention shares	19%	10%
Tranche 2		
Performance shares	20%	11%
Retention shares	20%	11%
Tranche 3		
Performance shares	20%	11%
Retention shares	20%	11%

The charge to the statement of profit or loss and other comprehensive income for the year ended 30 June 2016 amounted to R9,9 million (2015: R6,7 million). As the above are equity-settled shared-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.