



CARING

# REMUNERATION POLICY 2020

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# REMUNERATION POLICY 2020

(Updated following the approval by the Ordinary General Meeting of 11.05.2022 of the modification of certain components of the remuneration of Non-Executive Directors).

This remuneration policy complies with the provisions of the 2020 Belgian Corporate Governance Code (2020 Code) and of Article 3:6 § 3, alinea 2 of the Company Code and Associations (CCA).



The remuneration policy concerns the remuneration of the members of the Board of Directors and members of the Executive Committee entrusted with the daily management. It aims to compensate the various stakeholders in the management of the company in a way that attracts and retains them and motivates them to reach the objectives of the company, in line with its characteristics.

In accordance with the decision taken by the Ordinary General Meeting of 13.05.2020, this remuneration policy came into force on 01.01.2020 and will, in principle, apply until the end of the financial year ending in 2024. The remuneration policy will be submitted for the approval of the general meeting, by separate vote, for each significant change and, in any event, at least once every four years.

## **PREVENTIVE MEASURES REGARDING CONFLICTS OF INTEREST**

Regarding measures to prevent conflicts of interest in determining, reviewing and implementing the remuneration policy, no director or member of the Executive Committee takes part in the discussions or deliberations of the NRC concerning their own remuneration. The NRC may hold sessions without any member of the Executive Committee whenever it deems it appropriate. Any decision concerning remuneration of directors is subject to the provisions of the Company Code relating to conflicts of interest.



## 1. Remuneration policy for Non-Executive Directors

### PROCEDURE

Any decision concerning the remuneration of Non-Executive Directors falls within the competence of the General Meeting.

This remuneration of the Non-Executive Directors of the company is determined by the General Meeting on the proposal of the Board of Directors and according to the recommendations its receives of the NRC.

Minimum every two years, the NRC carries out a comparison with the remuneration of the Non-Executive Directors of other Belgian listed companies of similar size. The aim is to ensure that remuneration is still appropriate and in line with market practice, taking into account the company's size, its financial situation and position within the Belgian economic environment, and the level of responsibility assumed by the Directors. Any proposed change to the remuneration of Non-Executive Directors following this comparison exercise is subject to the approval of the General Meeting.

### POLICY

The policy reflects the decisions adopted by the Ordinary General Meetings of 28.04.2006, of 13.05.2020 and of 11.05.2022 on the proposal of the Board of Directors and the NRC. It was supplemented in 2016 by measures to 1) compensate the foreign Non-Executive Directors participating in physical meetings for the additional time they spend to their mandate in relation to the time spend to it by a Director residing in Belgium and 2) to obligate Non-Executive Directors to hold shares in the company.

In accordance with the decision of the General Meetings of 28.04.2006, 13.05.2020 and 11.02.2022, the remuneration is made up of a fixed annual remuneration, supplemented by attendance fees for meetings of the Board of Directors and the Advisory Committees they attend as members or as a President, i.e.:

- on one hand, base remuneration of 30,000 EUR for membership of the Board of Directors, 6,250 EUR for membership of a Committee and 12,500 EUR for chairing a Committee;
- and, on the other hand, Directors' attendance fees of 2,500 EUR per session for participating in the meetings of the Board of Directors, and 1.000 EUR per session for participating in the meetings of Committees.

Non-Executive Directors residing abroad receive a lump sum of 1,000 EUR for travel to participate in a Board or Committee, as a compensation for the additional time they spend to their mandate compared to the time spent by a Director residing in Belgium.

The remuneration of the Chairman of the Board is set at 100,000 EUR per year for his responsibilities as Chairman of the Board of Directors, 12,000 EUR for his responsibilities as Chairman of the NRC, as well as attendance fees of 1,000 EUR per meeting for participation in NRC meetings.

Non-Executive Directors do not receive a performance-related variable compensation, stock options, savings and pension plans, or benefits in kind.

During its meeting of 13.02.2020 and 13.03.2020, in order to comply with the 2020 Code, the Board of Directors decided that each

Non-Executive Director must each year, acquire and have nominative shares in the company registered in the register, a number of shares equivalent to at least 20% of his annual remuneration after deduction of the withholding tax. These shares should be held until at least one year after the non-executive board member leaves the board and at least three years after the moment of award. The dividends allocated during the unavailability period (for the financial year beginning on January 1 of the year of the General Meeting following entry in the register) will be paid at the same time as those of the other shareholders.

To facilitate the practical application of this rule, the number of shares to be acquired for each director will be fixed at the beginning of each year and will take into account the average share price of the previous year. Directors can anticipate this acquisition obligation by acquiring a sufficient number of shares covering the remaining period of their mandate.

Directors who represent an institutional shareholder will not be subject to this rule of obligation to reinvest in Cofinimmo shares insofar as they retrocede their remuneration to the shareholder they represent.

### CONTRACTUAL RELATION

There is no business contract between the company and the Non-Executive Directors, who exercise their mandate under the status of Independent. In accordance with the company's statutes, they can be revoked by the General Meeting at any time, with immediate effect and without reason.

## 2. Remuneration policy of the members of the Executive Committee

### PROCEDURE

The remuneration of Executive Committee members is determined by the Board of Directors based on the recommendations of the NRC, who analyses the remuneration policy applicable to the members of the Executive Committee annually and checks whether it needs to be changed in order to attract, retain and motivate them, within reasonable limits given the size of the company. It is indeed essential to bring Cofinimmo's compensation policy in line with these ambitions.

The overall remuneration level, as well as the breakdown of its various components and their terms and conditions are analysed. The analysis includes, as the case may be, a comparison with the remuneration policies applicable to the Executive Committee members of other listed and unlisted real estate companies, as well as those of non-real estate companies of a similar size. The findings and conclusions of the benchmarking exercise are, where appropriate, mentioned in the Remuneration Report of the Annual Report.

The NRC also ensures that the target setting procedure determining variable remuneration is in line with the company's ambitious strategy and risk appetite. It submits the results of its analysis and any reasoned recommendations to the Board of Directors for a decision.

The remuneration allocated to Executive Committee members covers all of their duties within the Cofinimmo Group.

## POLICY

In order to ensure the collegiality of the members of the Executive Committee vis-à-vis the strategy of the company, the composition (but not the level) of the remuneration of the members of the Executive Committee is identical for all its members.

The objectives defined for the determination of variable remuneration for the members of the Executive Committee also serve as a general framework for the determination of the objectives of the employees.

Since 2018, the compensation package for the members of the Management Committee is therefore composed of the following elements<sup>1</sup>:

### 1. Fixed remuneration

The amount of the fixed remuneration of Executive Committee members is determined according to their individual duties and skills. There is therefore no alignment between the fixed remuneration of the members of the Executive Committee. It arises from management agreements and is allocated independently of any result criteria. It is not indexed. For the members of the Executive Committee who are also members of the Board of Directors, it covers their services as members of the Board of Directors and their attendance at the various Committees. The fixed compensation is payable by Cofinimmo and Cofinimmo Investment Services.

The fixed annual remuneration payable by Cofinimmo is payable monthly per twelfth and after deduction of the withholding tax. The remuneration payable by Cofinimmo Investment Services is paid annually.

### 2. Variable remuneration

The criteria for the variable remuneration of the members of the Executive Committee correspond to quality services that meet expectations, in terms of results, professionalism and motivation, and are determined by the Board of Directors when the annual and multi-annual budgets are set. They consist of a combination of collective and individual financial and qualitative objectives to which a weighting is assigned. The Board of Directors sets criteria that prioritise objectives that have positive short-term (STI) and long-term (LTI) influence on the company and are aligned with the business strategy.

The Board sets a maximum percentage of variable compensation which can only be awarded in the case of services which exceed the achievement of objectives. This percentage is 60% of annual fixed compensation.

Both for short-term and long-term variable compensations, the verification of the degree of achievement of KPI's is done using accounting and financial data which are analysed by the Audit Committee. The NRC makes a quantified calculation of what the variable remuneration could be, depending on the degree of achievement of the objectives. This quantified calculation serves as an indication for the definitive fixing of the variable remuneration. Indeed, it will also take into account the specific situation of the Company and that of the market in general.

The achievement of the objectives for determining long-term variable compensation is assessed from a multi-year perspective.

The NRC then drafts a proposal for variable remuneration that is submitted to the Board of Directors, which in turn assesses the achievements of the Executive Committee and finally determines the amount of the variable remuneration to be granted.

In any case, there is no allocation of variable remuneration if the budget is not achieved by at least 80%.

The variable remuneration is in line with the requirements of Article 7:91 of the Companies Code.

In the event that variable compensation has been granted or paid on the basis of inaccurate financial information, the company may postpone the payment of all or part of the variable fees concerned depending on the amounts unduly granted.

**The short-term variable remuneration (STI)** is intended to compensate the collective and individual contributions of the members of the Executive Committee. The amount is determined based on the effective achievement of financial and qualitative objectives, as well as short-term non-financial objectives, set and assessed annually by the Board of Directors on the proposal of the NRC.

The financial objectives generally include the occupancy rate, growth, EPS, operating margin, special projects. Non-financial criteria can vary from year to year depending on the priorities set during budgeting, and typically cover areas that can be categorised as efficiency and leadership projects and HR initiatives.

The objectives are set according to criteria weighted by importance and approved by the Board of Directors on the proposal of the NRC. The objectives are set concomitantly with the establishment of the budget, and take it into account in order to ensure that the objectives are aligned with the strategy of the company. The determination of the degree of achievement of the objectives is made under the control of the Audit Committee.

The percentage of the variable compensation may vary from 0% to 60%<sup>2</sup> with a target of 40% of the annual fixed remuneration.

The Board of Directors may decide to allocate short-term variable compensation in the form of individual pension commitments.

**The long-term variable compensation (LTI)** is intended to align the interests of the members of the Executive Committee with those of the shareholders and encourage the members of the Executive Committee to adopt a long-term view.

For the long-term variable compensation, the criteria include the evolution of the EPS and the dividend in a multi-year perspective, as well as ESG criteria and personal objectives to support this multi-year perspective.

For the first time, and in parallel with the implementation of its investment strategy, Cofinimmo has increased its ambitions in terms of corporate social responsibility (CSR), by launching, among other ESG-measures, the 30<sup>3</sup> project, aimed at reducing the energy intensity of its assets by 30% by 2030, to reach 130 kWh/m<sup>2</sup>. This objective, which takes as a reference the level of 2017, was established according to the methodology of *science-based targets*

<sup>1</sup> It is recalled that the old compensation plans in force before the reorganisation of the Management Committee in 2018 are no longer applicable to the members of the current Executive Committee, but remain acquired for Mrs Françoise Roels, member of this Committee since 2006.

<sup>2</sup> This applies starting from the service year 2020.

thanks to which Cofinimmo was able to objectify the effort to be made in order to contribute to the global objective of limiting global warming to 1.5 ° C maximum, and is an active part of the Paris Agreement approach concluded at COP21. The inclusion of ESG objectives as criteria for variable compensation follows on from the many CSR initiatives initiated by Cofinimmo over the past ten years.

The LTI plan consists of the allocation of an amount ranging from 0 to 60 % of the fixed compensation for the members of the Executive Committee with a target of 40 % of the annual fixed compensation and is determined according to the achievement of KPI's aligned on the interests of shareholders. This amount, after deduction of the withholding tax, must be allocated to the acquisition of Cofinimmo shares which the members of the Executive Committee commit to hold - in registered form - for a minimum period of three years.

The members of the Executive Committee have the possibility of acquiring the shares under the plan at a unit price corresponding to the last known closing share price multiplied by a factor of 100/120<sup>th</sup>, meaning with a 16.67% discount, in accordance with comment 36/16 of the Income Tax Code, provided that the objectives are achieved at least 80 % overall. This possibility is available since 2021, for shares to be acquired, as the case may be, following the achievement of the objectives set for the previous year.

During its meeting of February 13, 2020 and March 19, 2020, and in order to be in line with the 2020 Code, the Board of Directors decided that the CEO and the other members of the Executive Committee must each hold and have registered in the register of registered shares of the company at least 2,200 and 1,200 Cofinimmo shares respectively during the entire term of their office<sup>3</sup>. This detention threshold must be reached at the end of 2024.

### 3. The savings and provident scheme

The savings and provident scheme aims to reduce as much as possible the gap between the resources which the beneficiaries had before their retirement and those which they will have afterwards. The extra pensions are financed exclusively from Cofinimmo contributions. The members of the Executive Committee benefit from a 'defined contribution' group insurance plan taken out with an insurance company. In addition, the members of the Executive Committee have access to an 'individual pension commitment insurance plan' intended exclusively to pay a life insurance or death benefit.

### 4. The other benefits

Cofinimmo exposes annual costs in terms of medical cover for the members of the Executive Committee. The company also provides a company vehicle to the members of the Executive Committee and reimburses them for all of the professional expenses incurred in the course of their duties. Executive Committee members also receive a laptop and a mobile phone.

### Contractual terms of the members of the Executive Committee

The company has concluded a service contract for an indefinite period with the members of the Executive Committee in order to entrust them with responsibility for day-to-day management. The Directors have an independent status and accomplish their duties in the absence of any form of subordination and with full autonomy and independence. However, they are guided in the performance of their duties by the guidelines and strategic decisions adopted by the Board of Directors and by compliance with the rules governing the responsibilities and operation of the Executive Committee.

Since 2018, and as part of the reorganisation of the Executive Committee, a new form of contract has been negotiated and implemented for the members of the latter appointed since then.

The business contracts concluded in 2018 are in line with the Company Code. These stipulate that the contract may be terminated subject to compliance with a notice period of 12 months in the event of termination by the company and of three months in the event of termination by the members of the Executive Committee, or against the payment of an equivalent indemnity calculated on the basis of the emoluments prevailing at the time of the termination. With regard to the contract concluded in 2007 for the member of the Executive Committee already appointed in 2004, it may be terminated subject to compliance with a notice period of 24 months in the event of termination by the company and three months in case of termination by the member of the Executive Committee, or subject to the payment of an equivalent indemnity calculated on the basis of the emoluments in force at the time of the termination<sup>4</sup>.

Should the Directors or members of the Executive Committee be unable to carry out their duties for reasons of incapacity (illness or accident), Cofinimmo will continue to pay them the fixed portion of their emoluments for a period of two months dating from the first day of incapacity. Thereafter, they will receive an incapacity allowance (paid by an insurance company) equal to 70% of their total remuneration.

The contracts with the members of the Executive Committee include a non-competition clause for 12 months after termination of the contracts. This clause will only be applied if the Company chooses to activate it. In this hypothesis, a 12-month-salary fee will be paid.

The contracts concluded with the members of the Executive Committee also provide that, in the event that variable compensation has been granted or paid on the basis of inaccurate financial information, the company may postpone the payment of all or part of the variable fees concerned depending on the amounts unduly granted.

<sup>3</sup> Based on the 2019 average of Cofinimmo share prices.

<sup>4</sup> Article 9 of the Law of 06.04.2010 states that this compensation is limited to 12 months or, depending on the case, 18 months. However, the Nomination, Remuneration and Corporate Governance Committee recalls that these terms and conditions were set out in a management agreement concluded with Françoise Roels in 2007. The approval of the General Meeting is therefore not required on this point, in accordance with this same Article.

### 3. Remuneration policy for the next four financial years

The Board of Directors does not have the intention to modify the remuneration policy for the four following financial years.

In accordance with the decision taken by the Ordinary General Meeting of 13.05.2020, this remuneration policy came into force on 01.01.2020 and will, in principle, apply until the end of the financial year ending in 2024. The remuneration policy will, however, be submitted to the approval of the general meeting, by separate vote, for each significant change and, in any event, at least once every four years.



