

8. REMUNERATION REPORT

The Remuneration Report is provided in accordance with the 2009 Code and with the Belgian Act of 6 April 2010; it has been applicable to Aedifica since the beginning of the 2010/2011 financial year.

8.1 INTERNAL PROCEDURES

During the 2016/2017 financial year, the remuneration policy for non-executive directors and Executive Managers were set out as follows:

- **Non-executive directors:** the continuity principle has been applied (as regards the composition of the remuneration).
- **Executive Managers:**
 - the Management agreements signed with the CEO and the CFO in 2006 and 2007, respectively, have been honoured. The foreseen contractual indexation is applicable. Additional agreements were signed on 2 September 2011, 3 September 2012, 2 September 2013, 25 August 2014, 2 September 2015, 2 September 2016 and 4 September 2017 with the CEO and CFO in order to clearly define criteria for the variable remuneration (see section 8.2 below), in accordance with Article 13 of the Act of 6 April 2010, which came into force for Aedifica on 1 July 2011.
 - the Management agreements signed with the COO and the CLO in 2014 and 2015, respectively, have been honoured. The foreseen contractual indexation is applicable. Additional agreements were signed on 2 September 2015, 2 September 2016 and 4 September 2017 with the CEO and CFO in order to clearly define criteria for the variable remuneration (see section 8.2 below), in accordance with Article 13 of the Act of 6 April 2010, which came into force for Aedifica on 1 July 2011.

During the same period, the actual remuneration of the non-executive directors and Executive Managers was determined as follows:

- **Non-executive directors:** in accordance with the decisions taken by the shareholders during the Annual General Meeting of 28 October 2016, the actual remuneration of the non-executive directors amounted to:

1° fixed annual remuneration:

- (i) a fixed annual remuneration of €50,000 for the Chairman of the Board of Directors,
- (ii) a fixed annual remuneration of €25,000 for the Chairman of the Audit Committee, the Chairman of the Nomination and Remuneration Committee and the Chairman of the Investment Committee,
- (iii) a fixed annual remuneration of €15,000 for the other non-executive directors; and

2° attendance fees:

- (i) an attendance fee amounting to €1,000 per director and per meeting of the Board of Directors,
- (ii) an attendance fee amounting to €900 per director and per meeting of the Audit Committee, of the Nomination and Remuneration Committee and of the Investment Committee.

For the 2016/2017 financial year, the Board of Directors will collectively receive €316,431.

- **Executive Managers:** the actual level of remuneration was determined based on the Management Agreements signed in 2006 (CEO), 2007 (CFO), 2014 (COO) and 2015 (CLO), and on the additional abovementioned agreements, in accordance with the criteria for the variable remuneration set out in section 12 of the Consolidated Board of Directors' Report. These remuneration packages were reviewed in 2009 and 2011 by specialised consultants. In light of the creation of the Management Committee on 12 May 2015, a specialised consultant conducted a new survey in May 2016.

8.2 EXECUTIVE MANAGERS' REMUNERATION

The remuneration package of the Executive Managers consists of: fixed remuneration (arising from the Management Agreements), variable remuneration (for which no claw-back in favour of the Company is applicable), post-retirement benefits (defined contribution plan and associated benefits), and other components (medical insurance, benefits-in-kind linked to the usage of a company car). Moreover, the fixed remuneration also consists of amounts resulting from the long-term incentive plan. The amounts are shown in the table on page 147.

The Executive Managers carry out their office as director of Aedifica and its subsidiaries for free. They are not remunerated by Aedifica's subsidiaries.

The gross variable remuneration of the Executive Managers was determined as follows:

- The variable remuneration for the 2016/2017 financial year is a (gross) amount which does not exceed 50% of the annual remuneration excluding sundry benefits and post-retirement benefits. The effective amount was determined by the Board of Directors, based on quantitative and qualitative criteria listed in the 2015/2016 Annual Financial Report as well as in the aforementioned additional agreements signed on 2 September 2016. Recall that the variable remuneration can only be paid if the actual EPRA Earnings* (previously referred to as “consolidated profit excl. changes in fair value”) per share is at least 90% of the budgeted amount. The criteria (and their weight) were as follows: EPRA Earnings* per share (30%), growth of the consolidated property portfolio (including the internationalisation of the Group’s activities) (20%), consolidated operating margin* (25%) and others (25%). The Board of Directors concluded on 4 September 2017 that the Executive Managers met the objectives and decided to grant as variable remuneration €195,000 to the CEO, and €291,000 to the CFO, COO and CLO in aggregate.
- In respect of the 2017/2018 financial year, the variable remuneration of the members of the Management Committee will not exceed a maximum amount of 50% of the annual remuneration excluding sundry benefits and post-retirement benefits. The variable remuneration can only be paid if the actual EPRA Earnings* per share is at least 90% of the budgeted amount. The effective amount will be determined by the Board of Directors based on consolidated quantitative and qualitative criteria: EPRA Earnings* per share (30%), growth of the consolidated property portfolio (including the internationalisation of the Group’s activities) (20%), consolidated operating margin* (25%) and others (25%).
- In respect of the 2018/2019 financial year, the maximum variable remuneration will be kept to 50% of the annual remuneration excluding sundry benefits and post-retirement benefits, based on quantitative and qualitative criteria that will be set in a future stage.

The Nomination and Remuneration Committee has established a “long-term incentive plan” for the members of the Management Committee (see section 7 above). For information purposes, note that the ratio between the total remuneration of the CEO for 2016/2017 and the average remuneration of personnel amounts to 10 times.

Each Executive Manager benefits from a company car as from the time of entering the Company. In 2016/2017, the cost to the Company (rental charge and petrol) was €20,000 excl. VAT for the CEO and a combined total of €42,000 excl. VAT for the three other Executive Managers. Each Executive Manager also uses a laptop and a smartphone. Moreover, the Company reimburses the Executive Managers’ actual professional expenses, and grants them a fixed allowance for representation expenses of €300 per month.

During the 2017/2018 financial year, Executive Managers’ remunerations will be indexed, as specified in the Management Agreements. Moreover, on a proposal by the Nomination and Remuneration Committee to provide the members of the Management Committee with an adequate and motivating remuneration in line with market practice, the Board of Directors decided on 4 September 2017 to adapt executive remuneration as follows (effective 1 July 2017):

- increase CEO’s fixed annual remuneration to €425,000 (resulting from the Management Agreement), plus an additional €120,000 (resulting from the long-term incentive plan) for the 2017/2018 financial year, and increase the maximum variable remuneration to €212,500 for the 2017/2018 financial year, based on the abovementioned criteria;
- With respect to the other members of the Management Committee (CFO, COO, CLO in aggregate):
 - increase the fixed remuneration to €670,500 for the three concerned parties, in accordance with the Management Agreements (before contractually provided indexation at 1 July 2017);
 - increase the maximum variable remuneration to €335,250 (rounded amount) for the 2017/2018 financial year, based on the abovementioned criteria;
 - participation in the long term incentive plan: €100,000 for the CFO, €50,000 for the COO and €50,000 for the CLO.

Total remuneration for the year 2016/2017 (in €)

	Stefaan Gielens - CEO	Others	Total
Fixed remuneration (management agreements)	403,564	639,726	1,043,290
Fixed remuneration ("long term incentive plan")	110,000	170,000	280,000
Variable remuneration	195,000	291,000	486,000
Pension scheme	61,641	85,026	146,667
Insurance premiums	6,423	14,226	20,649
Benefits in kind	6,507	15,605	22,112
Total	783,135	1,215,583	1,998,718

The Management Agreements signed with the Executive Managers may be terminated in the following circumstances:

- If Aedifica gives a 12-month notice, starting three working days after receipt of the notice (sent by registered mail);
- Immediately in case of serious misconduct (notice must be sent by registered mail);
- Immediately in case of withdrawal by the market authority (FSMA) of their approval of the hiring of the Executive Manager;
- Immediately if the Executive Manager does not act as Executive Manager during a period of 3 months, except in case of illness or accident;
- Immediately if the Executive Manager cannot act as Executive Manager during a period of 6 months, in case of illness or accident.

The Management Agreements provide for specific events of termination in the event of a change in control of the Company, as disclosed in section 15.10 of the Consolidated Board of Directors' Report.

The only case in which an indemnity granted to an Executive Manager could exceed 12 months of remuneration is in the event of a change in control of the Company; in this case, the CEO is eligible to obtain 18 months' remuneration. The Nomination and Remuneration Committee highlights the fact that this clause is included in the Management Agreement signed with the CEO in 2006 and that it is consistent with market practice. The approval of the shareholders is not required, as specified in Article 9 of the Belgian Act of 6 April 2010.

8.3 REMUNERATION OF THE BOARD OF DIRECTORS

The Board of Directors expects to keep its current remuneration policy unchanged for the non-executive directors. This policy is described in 8.1 above.