

8.8. Remuneration report

The remuneration policy for the members of the Board of Directors and the members of the Management Committee is based on current legislation, the Corporate Governance Code and market practices and trends.

The remuneration policy provides for remuneration that is sufficient to attract, retain and motivate Directors and Executive Managers who meet the profile set by the Board of Directors. In doing so, care is taken to ensure that the cost of the various remunerations remains under control. The Nomination and Remuneration Committee regularly conducts a comparative study (benchmark of other comparable companies) of both the remuneration of non-executive and executive Directors and that of Executive Managers, in order to ensure that the remuneration is still appropriate and in line with market practices, taking into account the size, growth and internationalisation of the company, its financial situation, its position within the economic environment and the level of responsibilities borne by the Directors and Executive Managers.

The last review of the remuneration policy for members of the Board of Directors and members of the Management Committee took place in June 2019 with the assistance of the independent specialist consultant Willis Towers Watson.

Total remuneration for the year 2018/2019 (in €)	Stefaan Gielens - CEO	Other	Total
Fixed remuneration (management agreements)	433,903	838,087	1,271,990
Fixed remuneration ('long-term incentive plan')	300,000	500,000	800,000
Variable remuneration	216,900	409,303	626,203
Pension scheme	70,979	109,555	180,534
Insurance premiums	6,847	15,277	22,124
Benefits in kind	4,630	15,194	19,824
Total	1,033,259	1,887,416	2,920,676

8.8.1 Internal procedures

During the 2018/2019 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 2006 (CEO), 2014 (COO), 2015 (CLO), 2017 (CIO and CM&AO) and 2018 (CFO), have been honoured. Additional agreements were signed in order to clearly define criteria for the variable remuneration (see section 8.8.2 below), in accordance with Article 520bis of the Company Code, as well as the amount of the monthly fixed basic remuneration and the amount and terms of the 'long-term incentive plan' (see section 7 above).
 - on 31 December 2018, the management agreement with the CLO ended at the request of the CLO herself; consequently, her remuneration due will be paid on a pro rata temporis basis, in accordance with the management agreement and incorporated into this report.

The 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.

2. attendance fees:

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

For the 2018/2019 financial year, the Board of Directors will collectively receive €328,600.

- **Executive Managers:** the remuneration of Management Committee's members was determined based on the management agreements signed in 2006 (CEO), 2014 (COO), 2017 (CIO and CM&AO) and 2018 (CFO), and on the additional abovementioned agreements, in accordance with the criteria for the variable remuneration for the variable remunerations described in section 8.9.1 of the corporate governance statement.

8.8.2 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 of the remuneration (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' for which a no claw-back in favour of the Company is proposed as from the financial year 2019/2020 (see section 7 above). The amounts involved are listed in the table on page 57.

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 2018/2019 financial year is a (gross) amount which does not exceed 50% of the annual remuneration excluding sundry benefits, post-retirement benefits and 'long-term incentive plan'. The effective amount was determined by the Board of Directors, based on quantitative and qualitative criteria listed in the 2017/2018 Annual Financial Report as well as in the aforementioned additional agreements. 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 (65%), consolidated EBIT margin* (operating result before result on portfolio divided by net rental income) (10%) and others (25%). The Board of Directors concluded on 3 September 2019 that the Executive Managers met the objectives and decided to grant as variable remuneration €216,900 to the CEO and €409,303 to the other members of the Management Committee (CFO, COO, CIO and CM&AO) in aggregate.

- with respect to the 2019/2020 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, post-retirement benefits and 'long-term term incentive plan'. The effective amount will be determined by the Board of Directors based on consolidated quantitative and qualitative criteria: EPRA Earnings* per share is at least 90% of the budgeted amount (65%), consolidated EBIT margin* (operating result before result on portfolio divided by net rental income) (10%) and others (25%).
- with respect to the 2020/2021 financial year, the maximum variable remuneration will be kept to 50% of the annual remuneration excluding sundry benefits, post-retirement benefits and the 'long-term incentive plan', 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. The details of that plan are included in section 7 of the Corporate Governance Statement above.

For information purposes, note that the ratio between the total remuneration of the CEO for 2018/2019 and the average remuneration of personnel amounts to 11 times.

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Each Executive Manager benefits from a company car as from the time of entering the Company. In 2018/2019, the cost to the Company (rental charge and petrol) was €25,000 excl. VAT for the CEO and a combined total of €59,000 excl. VAT for the 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.

For the 2019/2020 financial year, the Board of Directors decided at its meeting of 20 June 2019 to provide the members of the Management Committee, based on the proposal of the Nomination and Remuneration Committee to adapt the executive remuneration with an adequate and motivating remuneration in line with market practice as follows (effective 1 July 2019):

- a fixed annual remuneration for the CEO of €500,000; to which €234,000 should be added (in accordance with the 'long-term incentive plan') for the 2019/2020 financial year, and a maximum variable remuneration

€250,000 for the 2019/2020 financial year, based on and to the extent that the above-mentioned criteria have been met;

- with respect to the other members of the Management Committee (CFO, COO, CIO and CM&AO in aggregate):
 - a fixed remuneration of €1.100,000;
 - a maximum variable remuneration of €550,000 for the 2019/2020 financial year, based on and to the extent that the above-mentioned criteria have been met;
 - participation in the 'long-term incentive plan' for €509,000.

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 8.9.6 of the Corporate Governance Charter.

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, only 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 in line with market practice. In accordance with article 554 of the Companies Code, this indemnity payment does not require approval by the general meeting.

8.8.3 Remuneration of the Board of Directors

The Board of Directors will propose to the shareholders' meeting the following changes to the remuneration policy of its non-executive members relating to the annual fixed remuneration of the Chairman and the members of the Audit Committee:

- increase of the annual fixed remuneration to €30,000 for the Chairman of the Audit Committee;
- granting of a fixed annual fee of €5,000 for each other member of the Audit Committee, non-executive Director.

The Company decided to grant Mr. Eric Hohl, non-executive Director of the Company, a fixed annual remuneration of €5,000 as remuneration for his special assignment as final responsible for the internal audit (in accordance with Article 17 of the RREC legislation).