

value for the Company's shareholders, its other stakeholders and society in general.

The remuneration policy of the Non-Executive Directors is straightforward, cash-based and simple. It intends to reward these members of the Board of Directors appropriately for their work based on market-competitive fee levels, whilst also strengthening the link with the Company's strategy, long-term interest and sustainability by requiring the Non-Executive Directors to hold Company shares over the term of their mandate until after their mandate expires.

The main principles underlying Aedifica's remuneration policy for the members of its Executive Committee are based on a balanced approach between market competitive standards, the ratio between fixed and variable pay and the economic and social contribution of the Company linked to certain non-financial parameters of the variable pay:

- compensation at market-competitive levels (considering both fixed and variable components of remuneration), achieved by benchmarking against a market peer group;
- pay-for-performance that drives financial and non-financial performance and generates long-term sustainable and profitable growth. The remuneration target aims for 55% of total compensation in base salary and 45% in short- and long-term variable compensation in order to maintain a strong alignment with the Company's financial performance goals, its long-term value creation strategy and risk tolerance. Short- and long-term variable remuneration are weighted equally (50/50);
- differentiation based on experience and responsibility, such that the compensation of individual members of the Executive Committee is aligned with their respective responsibilities, relevant experience, required competencies and performance;
- balancing all stakeholders' interests, with due consideration to shareholder and societal views, by complying with best practices in corporate governance, defining targets for the variable compensation plans based on financial and non-financial targets and a transparent, simple and clear remuneration policy.

This remuneration policy will be submitted to the General Meeting for approval whenever material changes are proposed and, in any event, at least every four years.

## 8 REMUNERATION POLICY

Aedifica's remuneration policy is developed for the members of the Board of Directors and the members of the Executive Committee. It is applicable as from 1 January 2021, (financial year 2021), subject to approval by the Ordinary General Meeting of the Company to be held on 11 May 2021.

This remuneration policy is prepared taking into account the current legislation, the Corporate Governance Code 2020 and market practices and trends.

The general objective of the remuneration policy is to attract and retain the necessary leadership that can best support Aedifica in its mission to offer sustainable real estate solutions to professional operators whose core activity is to provide care to people with care needs throughout Europe. In doing so it aims to create sustainable

## 8.1 REMUNERATION POLICY FOR DIRECTORS

The Board of Directors of Aedifica is composed of Non-Executive and Executive Directors. The Executive Directors are only remunerated in their capacity as member of the Executive Committee (as described below under section 2). The Executive Directors do not receive any remuneration in their role as Board member.

The remuneration policy for the Non-Executive Directors is described hereafter. It aims to attract, retain and fairly compensate Directors with the required background, independence from management, skills and experience to pursue the Company's strategy and long-term goals.

### 8.1.1 Structure of the remuneration

The remuneration of the Non-Executive Directors consists exclusively of a fixed annual remuneration and attendance fees for each meeting attended.

All Non-Executive Directors receive:

- (i) equal fixed annual remuneration with the exception of the Chair of the Board of Directors who receives an increased fixed annual remuneration in view of his/her responsibilities and additional time expenditure; and
- (ii) an equal attendance fee for each meeting of the Board of Directors.

The Non-Executive Directors who sit on the Committees set up within the Board of Directors (Audit and Risk Committee, Nomination and Remuneration Committee and Investment Committee) each receive additionally an equal attendance fee per meeting of the Committee concerned.

Committee members do not receive any additional fixed remuneration for their Committee membership, with the exception of:

- (i) Committee Chairs, in view of his/her additional responsibilities as Chair and extra time he/she must devote to his/her function;
- (ii) Non-Executive Directors sitting on the Audit and Risk Committee, taking into account the pre-determined recurring nature of the meetings of this Committee.

Non-Executive Directors do not receive any performance-based remuneration (such as bonuses, share-related long-term incentive schemes or other forms of variable remuneration), nor do they receive any benefits in kind or benefits linked to pension schemes.

The costs incurred by Non-Executive Directors in the context of special assignments entrusted to them by the Company, as well as for the needs of their position, are borne by the Company, upon presentation of supporting documentation.

Reasonable travel expenses incurred by Non-Executive Directors residing outside Belgium in order to participate in in-person meetings of the Board of Directors are reimbursed upon presentation of supporting documentation.

The Board of Directors can decide on a case-by-case basis that Non-Executive Directors who attend meetings of the Board of Directors in a country other than their country of residence are additionally eligible to receive a special travel allowance of €300 to cover their travel time, which ensures that international candidates can also be attracted to fulfil a Board mandate with Aedifica.

### 8.1.2 Share Ownership Requirement

Aedifica does not directly reward shares to the Non-Executive Directors as a form of remuneration. That being said and in order to comply with the spirit of principle 7.6 of the 2020 Corporate Governance Code, each year the Non-Executive Directors are required to register a number of shares equivalent to 10% of their gross annual fixed remuneration as member of the Board of Directors in the Company's share register.

To facilitate the practical application of this rule, the number of shares to be registered in the Company's share register will be set annually for each Non-Executive Director at the beginning of the year, based on the average stock market price for the month December in the previous year.

These shares should be held in registered form until at least one year after the Non-Executive Director leaves the Board of Directors and, in any case, for at least three years after the shares have been registered. The dividends attached to these shares are paid at the same time as for the other shareholders.

### 8.1.3 Main features of the contracts between the Company and the Non-Executive Board members

The Non-Executive Directors are appointed by the General Meeting for a maximum period of three years. The Non-Executive Directors exercise their mandate on a self-employed basis. Their mandate can be terminated at any time by the General Meeting without notice or compensation.

## 8.2 REMUNERATION POLICY FOR THE MEMBERS OF THE EXECUTIVE COMMITTEE

### 8.2.1 Structure of the remuneration

The total remuneration of the members of the Executive Committee consists of the following elements:

#### 8.2.1.1 Fixed remuneration

The amount of fixed remuneration for the members of the Executive Committee is determined taking into account their individual responsibilities, skills and performance.

The fixed remuneration constitutes a cash payment which is granted regardless of the Company's result.

The amount of annual fixed remuneration is laid down in the individual management agreements established by the Company with the relevant member of the Executive Committee. This amount is paid in cash, indexed annually, and subject to local tax and social security regulations.



ABOVE  
**RICHMOND MANOR** – CARE HOME IN AMPHILL (UK)

LEFT  
**KEMPELEN IHMEMAANTIE** – CARE HOME IN KEMPELE (FI)

For the members of the Executive Committee who are also a member of the Board of Directors, the fixed remuneration also includes performance of their duties in the capacity of Director, and participation in the meetings of the Board of Directors and the various Committees, as required.

#### 8.2.1.2 Variable remuneration

The management agreements are annually supplemented with an addendum in which the criteria for awarding the variable remuneration are defined.

Prior to the start of the performance year, the Board of Directors may decide to pay additional monthly contributions into an individual pension plan for the members of the Executive Committee. At the end of the performance year, the total amount of the aforementioned additional monthly pension contributions will be offset against the value of the variable remuneration related to that same performance year. Only if the value of the variable remuneration related to that same performance year exceeds the total amount of the additional monthly pension contributions, will the positive difference be paid.

#### Annual Bonus (Short-term incentive)

All members of the Executive Committee are entitled to an annual bonus subject to the realisation of both collective and personal objectives, based on the provisions described hereafter.

For all members of the Executive Committee, the target bonus for performance is equal to 40% of fixed annual remuneration. For actual performance below the defined threshold, no bonus is due. Moreover, the actual bonus is capped at a maximum of 50% of annual fixed remuneration paid for performance at, or in excess of the maximum recognized performance level. The aggregate annual bonus will thus vary between 0% and 50% of the fixed annual remuneration, depending on the realisation of the performance targets. The targets, thresholds and maximum performance levels are determined each year at the beginning of the annual performance cycle.

The actual bonus earned is determined based on the following balanced mix of collective and personal, financial and non-financial key performance indicators (KPIs) and their corresponding weighting factors (% weight shown in brackets):

Collective KPIs (85%)		Personal KPIs (15%)
EPS (70%)	Operating margin (15%)	Personal targets supporting the Company's strategic imperatives

The results in terms of actual performance versus the performance targets, are validated by the Audit and Risk Committee before final approval by the Board of Directors.

The bonus is paid out in cash at the beginning of the year following the performance cycle, subject to applicable tax and social security regulations.

#### Long-term Incentive

Each year, all members of the Executive Committee are entitled to a long-term incentive award that is granted conditionally, the vesting of which is contingent on the realisation of key performance indicators (KPIs) over a period of three years (the performance cycle).

For all members of the Executive Committee, the target incentive award for performance is equal to 40% of the annual fixed remuneration at the time of granting. For actual performance below the retained threshold performance level defined, no award is due. Moreover, the actual award is capped at a maximum 50% of the annual fixed remuneration at grant which is paid for actual performance at or in excess of the maximum recognized performance level. The aggregate long-term incentive will thus vary between 0 and 50% of the annual fixed remuneration at grant, depending on the realisation of the targets.

The incentive award earned is determined based on the following mix of collective financial and non-financial KPIs (key performance indicators) and corresponding weighting factors:

Financial KPIs (70%)	Non-Financial KPIs (30%)
Relative shareholder return	Environmental, social and governance (ESG) criteria
Earnings per share	
Dividend per share	

The Board of Directors will determine for each three-year performance cycle the specific financial and non-financial KPIs (and their respective target, threshold and maximum performance levels recognized) selected within the framework of the above-mentioned KPI-types.

The results in terms of actual performance versus targets are validated by the Audit and Risk Committee before final approval by the Board of Directors.

The incentive award is paid out in cash at the beginning of the year following the performance cycle, subject to applicable tax and social security regulations. The members of the Executive Committee can opt to invest the net cash award (after deduction of withholding tax), to acquire Company shares at 100/120th of the market share price, provided that the Company shares are made unavailable and are not transferable during a period of at least 2 years following the acquisition of the shares.

#### Transition Provision

The introduction of the new long-term incentive plan in 2021 with successive three-year performance cycles in combination with the immediate cancellation of the current plan, would result in a sudden, significant reduction of the members of the Executive Committee's ongoing income: under the current plan, a fixed award is granted every year whereas the new plan will deliver its first award only in early 2024, after the completion of the first three-year performance cycle (2021-2023) and subject to actual performance outcomes. The current long-term incentive plan will therefore be extended for the coming two years (in 2021 and 2022) and it will cease to exist in 2023. Under the current plan, Executive Committee members are granted by decision of the Board of Directors, a fixed cash award

that, after deduction of withholding tax, must be used to acquire Company shares at 100/120th of the last known market share price, with the provision that the Company shares are made unavailable and are not transferable during a period of at least 2 years following the acquisition of the shares. In addition, the shares are subject to a three-year vesting scheme.

#### Relevance of the Variable Remuneration Plans to Our Company's Strategy

Both the short- and long-term incentive plans have been introduced to drive and reward sound business decisions that are in line with the Company's long-term strategy and, consequently, to align the interests of the members of the Executive Committee with those of the Company's shareholders.

#### KPIs relevant to the strategy

Retained KPIs	Relevance to our strategy
<b>Short-term incentive plan:</b> - EPS - Operating margin - Individual performance	Our goal is to balance the longer-term direct interests of our shareholders with short-term profitability which, in turn, will enable us to successfully execute our mission to provide real estate infrastructure for care operators and people with care needs. We seek to accomplish this goal by also considering the interests of other stakeholders with application of relevant and sound environmental, social and governance standards.
<b>Long-term incentive plan:</b> - Shareholder return targets - ESG targets	

At the beginning of each year, the Board reviews the nature and weighting factors of the performance indicators to ensure sustained support of the Company's strategy.

#### 8.2.1.3 Pension schemes

The members of the Executive Committee benefit from a group insurance policy consisting of a 'defined-contribution scheme', managed through private insurance plans with a guaranteed return. The contributions under this pension scheme are exclusively financed by the Company and do not require personal contributions from the beneficiaries.

#### 8.2.1.4 Other remuneration elements

The members of the Executive Committee benefit from hospitalisation insurance and coverage for accidents at work. In addition, Aedifica provides a company car (with fuel card), a laptop and a smartphone. Moreover, Aedifica reimburses the Executives' professional expenses.

### 8.2.2 Share Ownership Requirement

In accordance with principle 7.9 of the Corporate Governance Code, the Board of Directors has set a minimum threshold for the number of Company shares that each member of the Executive Committee must hold at all times, specifically:

- 4,000 shares for the CEO;

- 1,500 shares for other members of the Executive Committee (on an individual basis).

The current members of the Executive Committee are expected to build up their shareholding to the required level over a period of 5 years as from the date of entry into force of this remuneration policy, and, once reached, to maintain this level for the duration of their appointment. The same deadline will apply for any member subsequently appointed, as from the date of his or her appointment.

### 8.2.3 Clawback

The agreements with the members of the Executive Committee contractually provide for a clawback mechanism for both the short- and long-term incentive plans whereby the Company has the right to reclaim from the beneficiary all or part of a variable remuneration up to 1 year after payment if it appears during that period that payment has been made based on incorrect information concerning the achievement of the performance targets underlying the variable remuneration or concerning the circumstances on which the variable remuneration was dependent.

### 8.2.4 Main features of the contracts between the Company and the members of the Executive Committee

#### 8.2.4.1 Management agreement

The members of the Executive Committee exercise their mandate on an independent basis in accordance with a management agreement established with the Company in which the provisions for remuneration are specified. In principle, these contracts are established for an indefinite period.

#### 8.2.4.2 Severance

The management agreements signed with the members of the Executive Committee may be terminated in the following circumstances:

- if the Company gives a 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 the event that the market authority (FSMA) withdraws its approval of the hiring of the relevant member of the Executive Committee;
- immediately if the relevant member of the Executive Committee does not act as 'executive' during a period of 3 months, except in case of illness or accident;
- immediately if the relevant member of the Executive Committee cannot act as 'executive' during a period of 6 months, in case of illness or accident.

If the management agreement with the CEO is terminated within six months after a public takeover bid by Aedifica without serious fault on the part of the CEO, the CEO is entitled to a severance payment equal to eighteen months' remuneration. This clause was included in the management agreement signed with the CEO in 2006. Since then, no such contractual clauses have been included

in the agreements established with other members of the Executive Committee or employees of Aedifica.

### 8.2.5 Loans

The Company does not provide loans to the members of the Executive Committee.

### 8.2.6 Explanation of how the pay and employment conditions of Company employees were taken into account when establishing the remuneration policy

The remuneration for the Company's entire workforce, including the members of the Executive Committee, is reviewed on an annual basis and a consistent approach is applied at all levels. More specifically, prevailing market conditions and industry specific standards are taken into account at all levels.

The annual remuneration review of the wider employee population is presented to the Board of Directors and, as such, the Board of Directors is aware of the Company-wide annual review process when setting the remuneration for the members of the Executive Committee.

Moreover, the Company ensures consistency between the remuneration of the members of the Executive Committee and other employees, although the remuneration offered to the members of the Executive Committee places a stronger emphasis on performance related pay. Indeed, similar to the remuneration of the members of the Executive Committee, the remuneration of other employees comprises both fixed and variable remuneration, supplemented by extra-legal benefits such as a company car, smartphone and group insurance (depending on the position and the experience of the employee).

## 8.3 PROCEDURES FOR CHANGES TO THE REMUNERATION POLICY

### 8.3.1 Procedure for the adoption, review and implementation of the remuneration policy

#### Non-Executive Directors

The remuneration of the Non-Executive Directors is adopted by the General Meeting on proposal of the Board of Directors. This proposal of the Board of Directors is based on the recommendations of the Nomination and Remuneration Committee with respect to the remuneration policy of the Directors.

Based on the recommendations of the Nomination and Remuneration Committee regarding the form and structure of the remuneration, the Board of Directors proposes to the General Meeting to determine the remuneration of the Directors, taking into account their role as Non-Executive Director and their possible specific roles as Chairperson of the Board of Directors and/or Chairperson or member of a Board Committee, as well as the resulting responsibilities and corresponding time commitments.

The Nomination and Remuneration Committee regularly analyses the existing remuneration policy applicable to the Non-Executive

Directors and the level of their remuneration, based on industry benchmarks conducted by a specialised HR consultant, to ensure that the remuneration and form of remuneration remains 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, its ambitions for sustainable development, and the level of responsibilities borne by the Directors. The composition of the peer group is monitored regularly and adjusted when appropriate.

If, upon recommendation of the Nomination and Remuneration Committee, the Board of Directors wishes to propose a material change to the remuneration policy, this proposal will be submitted to the General Meeting for approval. In any event, the remuneration policy is submitted to the General Meeting for approval at least every four years.

#### Executives

The remuneration of the members of the Executive Committee is set by the Board of Directors based on recommendations from the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee analyses annually the remuneration that applies to the members of the Executive Committee and determines whether an adjustment is needed to reasonably attract, reward and retain them, taking into account, amongst other things, the size of the Company and their individual responsibilities. This analysis is accompanied by a comparative remuneration of other European listed and non-listed real estate companies and of other non-real estate companies of similar size and significance. The composition of the peer group is monitored regularly and adjusted when appropriate.

This annual analysis also considers the experience, qualities and responsibilities of the members of the Executive Committee. It covers the general pay level as well as the various elements of the remuneration and the conditions for their award. In doing so, the Nomination and Remuneration Committee shall at all times ensure that the remuneration of the CEO and the other members of the Executive Committee is not excessive in comparison to peers, market practices or the performance of the Company.

The Nomination and Remuneration Committee also examines whether the procedure for determining the targets that define the level of variable remuneration is in line with the risk appetite of the Company.

The Nomination and Remuneration Committee submits the result of this analysis and its substantiated recommendations to the Board of Directors to make a decision. If the decision of the Board of Directors on the remuneration of the members of the Executive Committee would entail a material change to the remuneration policy, then the proposed change will be submitted to the General Meeting for approval and can only become effective once approval has been granted. In any event, the remuneration policy is submitted to the General Meeting for approval at least every four years.

### 8.3.2 Management of potential conflict of interests

#### Non-Executive Directors

The Company takes the following measures to prevent or manage conflicts of interest relating to the establishment of the remuneration policy applicable to the Directors:

- the Nomination and Remuneration Committee is composed exclusively of Non-Executive independent Directors;
- the Nomination and Remuneration Committee works in complete independence: it determines its own agenda and operates independently of the Board of Directors and of the Executive Committee, within the limits described in the Corporate Governance Charter;
- the remuneration of the non-executive members of the Board of Directors is adopted by a decision of the General Meeting; and
- the remuneration policy applicable to the Directors and to the members of the Executive Committee is adopted by a decision of the General Meeting.

Additionally, the Directors are subject to the legal rules on conflicts of interest set forth in the Belgian Code on Companies and Associations and in the Belgian Act on Regulated Real Estate Companies.

#### Executives

The remuneration of the members of the Executive Committee is exclusively determined by the Board of Directors, who deliberate and vote without the members of the Executive Committee present (in application of the conflict of interest rules set out in the Belgian Code on Companies and Associations). The members of the Executive Committee are, in their capacity of ‘Executive Manager’ (in the meaning of the Belgian Act on Regulated Real Estate Companies), also subject to the conflict of interest rules set forth in the Belgian Act on Regulated Real Estate Companies.

### 8.4 PROCEDURE FOR DEVIATING FROM THE REMUNERATION POLICY

In exceptional circumstances, to be assessed on a case-by-case basis, and only if this serves the long-term interests and sustainability of the Company or guarantees its viability, the Board of Directors may, subject to a reasoned opinion issued by the Nomination and Remuneration Committee, allow certain deviations from the applicable remuneration policy with respect to the following elements:

- (i) determination or adjustment of the ratio between the fixed and/or variable remuneration components;
- (ii) setting or adjusting the performance targets for one or more members of the Executive Committee.

In any such case, the procedure must be followed as set out in 8.3.1 above, whereby the Board of Directors may allow for deviations insofar as these are in line with the aforementioned conditions and subject to a reasoned opinion issued by the Nomination and Remuneration Committee. The Board of Directors shall provide an account of any such deviations in the remuneration report that it submits for approval to the next Ordinary General Meeting.

BELOW  
**VINKENBOSCH** – CARE  
 HOME IN HASSELT (BE)



## 8.5 CHANGES COMPARED TO THE CURRENT POLICY

Persons	Remuneration element	Proposed changes	Rationale for the change
Non-Executive Directors	Share ownership requirement	Introduction of minimum share ownership conditions	Compliance with Principle 7.6 of the 2020 Corporate Governance Code
Executives	Short-term incentive	Introduction of relevant performance incentive zones for the different KPIs (with target, threshold and maximum recognised performance), in conjunction with truly variable incentive bonuses	Better alignment of the Executives' (variable) remuneration with actual company and personal performance
	Long-term incentive	Replacement of the current plan by a new plan with successive 3-year performance cycles and truly variable incentive awards, determined against explicit KPIs and relevant performance incentive zones (with target, threshold and maximum recognised performance)	Better alignment of the Executives' (variable) remuneration with actual company and personal performance
	Variable remuneration	Introduction of a more equitable balance between short- and long-term incentives: 50% of total target variable remuneration stems from annual performance and 50% is based on long-term performance	Compliance with art. 7:91 of the Belgian Company and Association Code
	Share ownership requirement	Introduction of minimum share ownership conditions	Compliance with Principle 7.9 of the 2020 Corporate Governance Code
	Clawback	Introduction of a clawback provision for both short- and long-term incentives	Compliance with art. 7:12 of the Belgian Company and Association Code

## 8.6 CONSULTATION WITH SHAREHOLDERS

In the formulation of this remuneration policy, the Company took into account specific comments and suggestions from shareholders as expressed in relation to the Company's last remuneration report and, more generally, the views as set forth in shareholder principles and voting guidelines. The Company will continue to monitor shareholder views going forward and commit to consulting with shareholders prior to any significant changes to this policy.