

Annex to the corporate governance charter of BEFIMMO SA

REMUNERATION POLICY

(Last update: 23 February 2017)

This document describes the remuneration policy of the group Befimmo devised by the Board of Directors of Befimmo SA (the "Company") on a proposal from the Appointment and Remuneration Committee.

The remuneration policy of Befimmo SA and its subsidiaries is established in accordance with the provisions of the law of 6 April 2010 to strengthen corporate governance in listed companies, and with the recommendations of the Belgian Corporate Governance Code ("the 2009 Code").

It is designed to reward those involved in running the Company in a way that allows it to attract, retain and motivate selected staff, taking account of the Company's characteristics and challenges, while properly and effectively managing risks and keeping the costs of the various remunerations under control.

The Company aims to pay its staff at a level that compares well with the remuneration paid by other companies of comparable size and business for similar positions.

To keep informed of market remuneration, the Company contributes to benchmarks organised by social administration agencies or specialist consultants. It also occasionally consults these specialists for reasons unconnected with benchmark operations.

This chapter makes reference to the other chapters of the governance charter which identify the various categories of recipients of remuneration.

1. Non-executive Directors of Befimmo SA

The remuneration of the non-executive Directors of Befimmo SA is set by the General Meeting of Befimmo SA, on a proposal of its Board of Directors, which in turn receives proposals from the Appointment and Remuneration Committee.

It is composed of:

- a fixed annual amount, and
- attendance tokens; these are awarded to non-executive Directors for attending meetings of the Board of Directors and any meetings of the Committees set up by the Board of Directors; attendance tokens are also awarded to Directors entrusted with special tasks by the Board.



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Non-executive Directors do not receive any performance-related pay, such as bonuses or long-term incentives, and do not receive any benefits in kind or benefits related to pension schemes.

The Directors may hold a directorship in the subsidiaries of Befimmo SA. Any remunerations received for holding those positions are integrated in the Befimmo SA "remuneration report".

In accordance with the law, Directors may be dismissed summarily, without compensation.

2. The Chief Executive Officer of Befimmo SA

The Managing Director of Befimmo SA - who is the sole executive Director of Befimmo SA and does not receive remuneration as a Director of Befimmo SA - carries out the function of Chief Executive Officer (CEO) and Chairman of the Management Committee of Befimmo SA. He is also classed as an "Executive Officer" of Befimmo SA, pursuant to article 14 § 3 of the law concerning BE-REITs.

2.1 Remuneration

The remuneration of the CEO is set by the Board of Directors of Befimmo SA, on a proposal of the Appointment and Remuneration Committee.

This remuneration is composed of a fixed part and a variable part.

- **Fixed part:** the amount of the fixed annual remuneration is determined on the basis of comparisons with the fixed remunerations on the market for a comparable post in a comparable company. The fixed annual remuneration is paid monthly, in twelfths, at the end of the month.

On a proposal of the Appointment and Remuneration Committee, the Board of Directors considers the amount of the fixed remuneration at regular intervals, at the end of each calendar year, in order to decide whether this amount should be changed and, if so, in what proportions. The new fixed remuneration is paid from 1 January of the following year.

- **Variable part:** the target amount of the annual variable remuneration corresponding to a quality service that meets expectations in terms of results, professionalism and motivation is predetermined by the Board of Directors when setting objectives. It is a combination of personal qualitative objectives and financial and qualitative targets for Befimmo SA, and a weighting is applied.

The Board avoids setting performance criteria that could encourage the CEO to give preference to short-term goals that influence his variable remuneration and would have an adverse impact on the Company in the medium and long term. The Board also determines the maximum amount of variable remuneration, which may be awarded only if the performance targets are exceeded.

In determining how much variable remuneration to award, at the end of each calendar year the Board of Directors – on a proposal of the Appointment and Remuneration Committee – assesses the CEO's performance during the fiscal year in question against the targets for that year.

The payment of the variable remuneration of the CEO is staggered in time and the final allocation of the variable portion of the remuneration, which is a time-deferred payment, is subject to predetermined and objectively measurable medium- and long-term performance criteria.

The payment of the variable remuneration is spread over three years. The variable portion of the remuneration earned during year "N" (fiscal year of the appraisal) to be paid the first year (N+1) may not exceed 50% of the total amount of variable remuneration awarded. Payment of 25% of the variable remuneration is deferred for one year and will be payable in year N+2 provided that the performance indicators for the Company's results are sustained throughout years N and N+1. The remaining 25% of the variable remuneration will be deferred for two years and will be payable in year N+3, again provided that performance is sustained over years N to N+2 (inclusive).

The principle of deferred payment of the variable remuneration creates a strong link between the interests of the CEO and those of the Company and its shareholders.

- **Miscellaneous expenses:** Befimmo regularly reimburses expenses incurred by the CEO in the course of his routine management, on presentation of supporting documents to the Chairman of the Board of Directors or any other person he designates for that purpose.

Apart from the provision of a portable computer and mobile telephone that meet the standards of Befimmo SA (notably in terms of security), of which he supports the consumptions, in principle the CEO does not receive any benefits in kind.

2.2 Positions held in subsidiaries

The Managing Director may hold an executive or non-executive directorship in the subsidiaries of Befimmo SA. Any remunerations received for holding those positions are integrated in the Befimmo SA "remuneration report". Unless otherwise agreed by the parties, the termination of the contract between the CEO and Befimmo SA will lead to the positions held by the CEO¹ in the subsidiaries of Befimmo SA.

2.3 Severance grant

Should Befimmo SA terminate the contract between the CEO and Befimmo SA before expiry, and with the exception of the cases provided for in the contract - in which case no compensation is due - the CEO is entitled to a severance grant under that contract. Pursuant to article 554(4) of the Code of Company Law and the recommendations of the Belgian Corporate Governance Code, the severance grant for early termination may in principle not exceed 12 months' remuneration (fixed and variable, calculated over the 12 months preceding severance) or 18 months (on reasoned opinion of the Appointment and Remuneration Committee). Furthermore, if the Company makes an agreement providing for severance

¹ Whether as individual or as permanent representative of a director legal person.



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grants exceeding these limits, this derogatory clause regarding severance grants requires prior approval at the first Ordinary General Meeting following the conclusion of that agreement.

3. Other members of the Management Committee of Befimmo SA

The other members of the Management Committee of Befimmo SA are remunerated under a management agreement with Befimmo SA as self-employed workers. They are also classed as "Executive Officer" of Befimmo Sa, pursuant to article 14 § 3 of the law concerning BE-Reits.

3.1 Remuneration

The Board of Directors of Befimmo SA decides on the recruitment, promotion and fixed and variable remuneration of each of these other members of the Management Committee of Befimmo SA, on a proposal of the Appointment and Remuneration Committee, after it has first consulted the CEO.

- **Fixed part:** the amount of the fixed remuneration is determined on the basis of information on levels of remuneration offered for comparable positions in comparable businesses. This information is gathered by the Appointment and Remuneration Committee.

The fixed remuneration is paid monthly at the end of the month. Any change in the fixed remuneration of the other members of the Management Committee must be decided by the Board of Directors on a reasoned recommendation of the CEO and the Appointment and Remuneration Committee.

- **Variable part:** the target amount of the variable annual remuneration corresponding to a quality performance meeting expectations, in terms of results, professionalism and motivation. This amount is predetermined by the Board of Directors when the objectives are set. These are a combination of personal and collective objectives related to the specific operational responsibilities of each member of the Management Committee (performance of special duties, performance of their team or department) and financial and qualitative objectives for Befimmo SA, to which a weighting is applied. The Board avoids setting criteria that could encourage the members of the Management Committee to give preference to short-term goals that influence their variable remuneration and would have an adverse impact on the Company in the medium and long term. The Board also determines the maximum amount of variable remuneration, which may be awarded only if the performance targets are exceeded.

In determining how much variable remuneration to award, at the end of each calendar year the Board of Directors – on a proposal of the Appointment and Remuneration Committee after having heard the CEO – assesses the performance of the Executive Officers during the fiscal year in question against the targets set for them for that year.

The payment of the variable remuneration of the other Executive Officers is staggered in time and the final allocation of the variable portion of the remuneration, which is a time-deferred payment, is subject to predetermined and objectively measurable medium- and long-term performance criteria.

Payment of the variable remuneration is spread over three years. The variable portion of the remuneration earned during year "N" (fiscal year of the appraisal) to be paid the first year (N+1) may not exceed 50% of the total amount of variable remuneration awarded.

Payment of 25% of the variable remuneration is deferred for one year and will be payable in year N+2 provided that the performance indicators for the Company's results are sustained throughout years N and N+1. The remaining 25% of the variable remuneration will be deferred for two years and will be payable in year N+3, again provided that performance is sustained over years N to N+2 (inclusive).

The principle of deferred payment of the variable remuneration creates a strong link between the interests of the other members of the Management Committee and those of the Company and its shareholders.

- Miscellaneous expenses: Befimmo reimburses the expenses incurred by the other members of the Management Committee in the course of their duties, upon presentation of supporting documents sent to the CEO or any other person that he or she may designate for that purpose.

Apart from the provision of a portable computer and mobile telephone that meet the standards of Befimmo SA (notably in terms of security), of which they support the consumptions, the other members of the Management Committee do not receive any benefits in kind.

3.2 Positions held in subsidiaries

The other members of the Management Committee may hold an executive or non-executive directorship in the subsidiaries of Befimmo SA. Any remunerations received for holding those positions are integrated in the Befimmo SA "remuneration report". Unless otherwise agreed by the parties, the termination of the contract between an another member of the Management Committee and Befimmo SA will lead to the end of the positions held by the Executive Officer² in the subsidiaries of Befimmo SA.

3.3 Severance grant

Should Befimmo SA terminate the contract between a member of the Management Committee and Befimmo SA before expiry, and not in any of the cases provided for in the contract where no compensation is due, the member concerned is entitled to a severance grant under that contract. Pursuant to article 554(4) of the Code of Company Law and the recommendations of the Belgian Corporate Governance Code, any severance grant may not in principle exceed 12 months' remuneration (fixed and variable, based on the 12 months preceding termination) or 18 months (on a reasoned opinion of the Appointment and Remuneration Committee). Furthermore, if the Company makes an agreement providing for severance grants exceeding these limits, this derogatory clause

² Whether as individual or as permanent representative of a director legal person.



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regarding severance grants requires prior approval at the first Ordinary General Meeting following the conclusion of that agreement.

4. All staff

For all Befimmo staff, the Board of Directors has tasked the Appointment and Remuneration Committee with considering the annual proposals by the CEO regarding the overall budget for increasing (over and above the index) of the fixed remuneration of the Befimmo staff, and the overall budget for the variable remuneration of the employees.

5. Special bonuses, share options or benefits

Subject to the agreement of the Board of Directors, on a proposal of the Appointment and Remuneration Committee, a special bonus may be paid out during the fiscal year to one or more members of the Management Committee (including the CEO) or to the other persons referred to in point 4 above, in the event of exceptional performance, without such a bonus affecting the payment of any variable remuneration for the same period.

The Company has not arranged any share benefits or options for the CEO, other members of the Management Committee or staff in general.

6. Changes to and publication of this remuneration policy

This remuneration policy is an integral part of Befimmo SA's corporate governance charter and can be consulted on the corporate website.

A remuneration report is to be included each year in the governance report of the Annual Financial Report, mentioning the main principles of this policy and stating how they were applied over the fiscal year.

Each significant deviation from this remuneration policy over the period, and any important changes made to the policy in future, are to be expressly mentioned in the next remuneration report.

The Company's General Meeting is to take a separate vote, each year, on the remuneration report.
