



Real Estate Investment Trust

CORPORATE GOVERNANCE CHARTER

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CORPORATE GOVERNANCE CHARTER

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## 1 Introduction

Retail Estates is a real estate investment trust within the meaning of the Belgian Act of 12 May 2014 on regulated real estate investment trusts (the “**REIT Act**”) and the Belgian Royal Decree of 13 July 2014 on real estate investment trusts (the “**REIT Royal Decree**”) (hereinafter together with the REIT Act referred to as the “**REIT legislation**”), which has assumed the legal form of a company limited by shares under Belgian law (“*naamloze vennootschap*”, abbreviated to “*NV*”). Its registered office is located at Industrielaan 6, 1740 Ternat (hereinafter referred to as “**Retail Estates**” or the “**Company**”). It has made a public offer of securities and its shares are listed on the regulated market of Euronext Brussels and Euronext Amsterdam.

This Corporate Governance Charter (the “**Charter**”) was drawn up by the board of directors of Retail Estates. The board of directors revises the Charter at regular intervals and introduces any amendments it considers necessary and appropriate. This revised version of the Charter was approved on 17 May 2019.

Retail Estates makes every effort to comply with the corporate governance principles as set out in the Belgian Corporate Governance Code of 12 March 2009, without prejudice to the applicable legal provisions (in particular the Belgian Companies Code and the REIT legislation) and the Company’s articles of association.

Any changes to the law or the articles of association will, if necessary, result in an amendment to (the relevant provisions of) this Charter so that it complies with the legal and statutory provisions.

In addition, the board of directors has approved (i) the “*Dealing Code to prevent the misuse of insider information and market abuse*” (the “**Dealing Code**”) and (ii) the “*internal procedure for reporting infringements*” (the “**Whistleblower Policy**”).

The Charter, the Dealing Code and the Whistleblower Policy can be consulted on the Retail Estates website ([www.retailstates.com](http://www.retailstates.com)).

Additional factual information about the corporate governance policy of the Company and corporate governance events that occurred during a particular year can be found in the corporate governance statement that the Company includes in its annual report (the “**Corporate Governance Statement**”) in accordance with Article 96, § 2 of the Belgian Companies Code and the provisions of the Corporate Governance Code.

The Company expressly states that it uses the Belgian Corporate Governance Code of 12 March 2009 (the “Corporate Governance Code”) as a reference. The Belgian Corporate Governance Code is available on the website [www.corporategovernancecommittee.be](http://www.corporategovernancecommittee.be). If the Company deems it appropriate to deviate from one or several provisions of the Corporate Governance Code, it will explain the reasons in the Corporate Governance Statement (“comply or explain” principle).

## **2 Board of directors: internal rules**

The Company is managed by a board of directors acting as a collegiate body (“college”). In accordance with Article 522 of the Belgian Companies Code, the board of directors is empowered to do and perform whatever shall be necessary or useful to realise the purpose of the Company, except for the powers reserved to the shareholders’ meeting by law. Any division of duties between the directors among themselves may never be enforced against third parties, even if this division was made public.

The responsibilities, duties, composition and functioning of the board of directors are laid down in the provisions of its internal rules in this Charter, which must be read together with the relevant provisions of the Company’s articles of association.

### **2.1 Responsibilities**

The board of directors seeks to ensure the long-term success of the Company by guaranteeing entrepreneurial leadership while assessing and managing the risks of the Company within a framework of efficient and effective controls.

The board of directors is accountable to the shareholders for the performance of its responsibilities.

#### **2.1.1 The policy function of the board of directors**

The board of directors decides on the Company’s values and strategy, its willingness to take risks and the main policy lines, and ensures that the Company’s obligations to all its shareholders are clear and that they are met, taking into account the interests of the other stakeholders.

The board of directors can set up advisory committees from among its members, and determine the composition, powers and obligations of these committees, with due observance of the applicable regulations. In this context, the board of directors decides on the structure of the management committee (“directiecomité”), determines the management committee’s powers and obligations, and ensures that the necessary financial and human resources are available for the Company to achieve its objectives.

When converting values and strategies into the main policies, the board of directors takes into account corporate social responsibility, gender diversity and diversity in general.

With regard to its policy function, the board of directors in particular has the following functions and responsibilities:

##### Real estate policy

- the decision to acquire or dispose of a (real right on) immovable property or, more generally, real estate within the meaning of the REIT legislation, including determining the value of the real estate, the method of determining the share price based on the report drawn up by real estate experts within the limits of the REIT legislation, the transaction structure and guarantees required to respond to any comments made by Company advisers in the context of the due diligence process;
- determining the appropriate policy on insurance to be applied;
- determining the renovation policy, maintenance and improvement work to be carried out at the retail parks;

- appointing a real estate expert and following up their reporting;
- defining a quarterly reporting system for executive management concerning leases, occupancy rate, debt collection, disputes;
- The decision to (re)develop property purchased or to be purchased into a retail building, for the account of the REIT.

#### Financing policy

- short-term and long-term financing of the Company's activities, concerning both the duration of the credit and the interest risk;
- determining the choice of financial institution;
- ensuring the final approval of credit applications, including the provisions regarding guarantees and possible covenants;
- determining debt management policy.

#### Personnel policy

- determining the human resources budget and the remuneration policy to be applied (distribution of fixed and variable remuneration - distribution of salaries, in-kind remuneration);
- handling the dismissal and appointment of executive management, their remuneration and contractual arrangements;
- drawing up the organisational chart and recruitment and outsourcing policy;

#### Financial reporting

- establishing the valuation rules.

#### Other

- determining the choice of advisers;
- in general, dealing with all topics covered by its legal powers.

### **2.1.2 The supervisory function of the board of directors**

The board of directors assesses the performance of the management committee and the achievement of the company's strategy.

With regard to its supervisory function, the board of directors in particular has the following functions and responsibilities:

- monitoring and assessing the effectiveness of the advisory committees set up by the board of directors from among its members;
- taking the necessary steps to ensure the integrity and timely disclosure of the annual accounts and other material financial and non-financial information communicated to shareholders and the market;
- approval of a reference framework for the management structure and the administrative, accounting, financial and technical organisation, including the internal control as intended by the REIT Act (internal audit, risk management and compliance (including integrity policy), drawn up by the

management committee. In the implementation of its internal control process, the Company has used the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission) as a reference framework;

- assessing the implementation of the aforementioned reference framework, taking into account the judgement of the audit committee;
- the selection of the auditor and real estate experts, taking cognisance of their reports and remarks, and acquiring adequate information on any comments or reservations, and evaluating the performance by the Statutory Auditor and managers of internal control functions;
- overseeing compliance with legal, regulatory and contractual requirements regarding the Company's operation and its long-term obligations; and
- describing and disclosing the key features of the Company's internal control and risk management systems in the Corporate Governance Statement.

## **2.2 Composition of the board of directors**

### **2.2.1 Number of directors**

In accordance with Article 11 of its articles of association, the Company is managed by a board of directors consisting of at least three directors. In order to ensure the efficient operation of the board of directors, the aim is to limit the number of members of the board of directors to 12.

The composition of the board of directors must ensure that the decisions taken are in the interest of the company. This composition is determined on the basis of gender diversity and diversity in general as well as complementarity with respect to skills, experience and knowledge. It is of particular importance to have a proportionate representation of directors who are well versed in the management of retail businesses in the type of property in which Retail Estates nv invests and/or have experience in the financial aspects of the management of a real estate company and real estate investment trust in particular and/or in policy-making in listed companies. The Corporate Governance Statement contains a list of the members of the board of directors.

The board of directors ensures that no individual or no group of directors can dominate the decision-making process, and that none of the directors has excessive decision-making power.

The composition of the board of directors is characterised by a balanced representation between executive, independent non-executive, and other non-executive directors. At least half of the board of directors consists of non-executive directors, and at least three of them are independent within the meaning of Article 526ter of the Belgian Companies Code and in appendix A of the Corporate Governance Code. The list of directors included in the Corporate Governance Statement states which directors are independent.

The directors, effective leaders and managers for the independent control functions may only be natural persons in accordance with the REIT legislation.

### **2.2.2 Chair**

The chair of the board of directors (the “**Chair**”) is responsible for leading the board of directors. More specifically, he sees to it that the board is well-organised, works efficiently and fulfils its obligations and responsibilities.

The Chair is responsible for establishing a climate of trust within the board of directors that contributes to open discussion, constructive criticism and support for the decisions taken by the board.

The Chair will set the agenda of the meetings - after consultation with the CEO - and ensure that the procedures for the preparation, deliberation and approval of resolutions, and the implementation of resolutions, are correct.

The Chair is responsible for the appropriate dissemination of information within the board, by monitoring the accuracy and availability of the documents. In this regard, all directors will receive the same information. Furthermore, during the meetings, the Chair must ensure that sufficient time is spent to study all dossiers in a serious and thorough way.

The Chair ensures that all directors can contribute to the discussions in the board of directors in full knowledge of the facts, and that there is sufficient time for consideration and discussion before making a decision.

The Chair acts as an intermediary and facilitator between the board of directors and the CEO. The Chair encourages effective interaction between the board of directors and the management committee. The Chair maintains close relationships with the CEO and gives support and advice, with respect for the CEO’s responsibility.

The Chair leads the Shareholders’ Meeting and answers any questions the shareholders may have at this meeting.

The Chair may be assisted in the performance of his/her duties by the Company’s secretary, and conduct an investigation if necessary. The Chair has the resources necessary for this, has access to all information, including confidential or commercially sensitive data, and may, at the expense of the Company, request the advice of internal and external experts.

The Chair ensures that the newly appointed directors receive appropriate initial training so that they can contribute quickly to the operations of the board of directors. For directors who become members of a committee of the board of directors, the initial training includes a description of the specific role and tasks of this committee, as well as any other information related to the specific role of the committee concerned.

With a view to exercising the above-mentioned tasks, the Chair is fully committed to the exercise of his responsibilities and will free up at least 4 days a month for the performance of his/her mandate.

### **2.2.3 Non-executive directors**

The non-executive directors are all members of the board who do not perform executive tasks within the Company.

They are in particular responsible for:



- critically and constructively reviewing the strategies and general policy guidelines as proposed by the management committee, and assisting to further develop these;
- evaluating the performance of the management committee concerning the achievement of the agreed objectives;
- ensuring the integrity of financial information and that the financial control and risk management systems are strong and adequate.

#### **2.2.4 Independent directors**

The directors undertake to act under all circumstances in the company's interests and to maintain their independence in judgements, decisions and transactions.

The board of directors consists of at least three independent directors within the meaning of Article 526ter of the Belgian Companies Code and appendix A of the Corporate Governance Code.

During the process of appointing an independent director, the board of directors more specifically shall examine whether the candidate meets the following criteria:

- not be a director, a member of the executive management or the management committee or day-to-day management of Retail Estates or of an affiliated company or person, and not have held such a position during the 5 years prior to his/her appointment;
- not have been part of the executive staff of Retail Estates or of an affiliated company or person for 3 years prior to his/her appointment;
- not receive or have received a remuneration or any material benefit from Retail Estates or from an affiliated company or person, other than the bonus and compensation he is receiving or has received as a non-executive director or as a member of a supervisory body;
- not have ownership rights that represent more than 10% of the capital or a class of shares of Retail Estates, alone or in conjunction with a company over which the director exercises control. If the director possesses less than 10% of the ownership rights, he may not subjugate the acts of disposal regarding these shares or the exercise of the related rights to agreements or unilateral commitments that he might have endorsed. The director may never represent a shareholder who is subject to the terms of this provision;
- not have or have had a significant business relationship with Retail Estates or an affiliated company or person during the previous financial year, and not plan to have such a relationship either directly or as a partner, shareholder, director or member of executive staff of a Company or a person maintaining such a relationship;
- not be or have been a partner or employee of the current or a former Statutory Auditor of Retail Estates or any of its affiliated companies or persons during the past 3 years;
- not be an executive member of a management body of another company in which an executive director of the company is a non-executive member of the executive

board or supervisory body and not have other significant links with the executive directors of Retail Estates based on his/her positions in other companies or bodies;

- not have held more than three successive terms of office as a non-executive director at Retail Estates, with an overall limit of 12 years;
- not have a spouse, legal cohabitee, relative by blood or marriage to the second degree who exercises a mandate within the company or an affiliated company or person as a member of the board of directors, management committee, day-to-day management or executive staff or who is listed in one of the points above.

Each independent director who no longer meets the independence requirements shall immediately inform the board of directors of this fact.

#### **2.2.5 Managing director (“CEO”)**

Finally, the board of directors also consists of the person entrusted with the day-to-day management of the Company.

The managing director, supported by the management committee (see Section 4), is responsible for the executive management.

#### **2.2.6 Distribution of responsibilities of the Chair and CEO**

At the head of the Company a clear distinction is made between the responsibilities of the Chair and those of the CEO.

The Chair is responsible for organising, leading and informing the board of directors.

The CEO handles the executive management function. He/she is responsible for the operational tasks related to the management of the real estate portfolio. The operational tasks include: personnel policy, the operation of the headquarters and management of the operating corporate costs, the provision of the real estate; prospecting for investments and projects and handling the associated due diligence as well as the payments and cash management.

The positions of Chair of the board of directors and that of CEO may not be held by one and the same person.

Pursuant to a special power of attorney, the Company shall, for acts of disposal with a value below € 2,500,000, also be legitimately represented by the director entrusted with day-to-day management (i.e. the CEO) acting alone. With respect to acts of disposal, legal acts and documents with a value between € 2,500,000 and € 5,000,000, the CEO is required to act jointly with another proxy.

#### **2.2.7 Supervisors of day-to-day management**

Without prejudice to the general supervisory task of each individual member of the board of directors, the board of directors, in accordance with Article 17 of the articles of association, also designates at least two directors (including the Chair) to jointly supervise the day-to-day management and to report to the board of directors.

These supervisory directors are appointed by the board of directors and their identity is communicated to the Financial Services and Markets Authority (FSMA).

## **2.3 Nomination and appointment of candidate directors**

### **2.3.1 General**

The shareholders' meeting appoints the directors from the list of candidate directors nominated by the board of directors on the recommendation of the remuneration and appointment committee.

All members of the board of directors are authorised to propose possible candidate directors to the board of directors. The board of directors indicates by separate resolution, on the recommendation of the remuneration and appointment committee, the candidate directors whom it wishes to propose to the shareholders' meeting.

If a director's position mandate becomes vacant, the remaining directors are authorised to temporarily fill this vacancy until a final decision is taken by the (next) shareholders' meeting.

All appointments and reappointments of directors are made in a transparent manner based on merits and objective criteria. The Chair or a non-executive director leads the appointment process.

In accordance with the relevant provisions of the REIT legislation, the members of the board of directors must always have the professional integrity and appropriate expertise required for the performance of their duties.

For each new appointment in the board of directors, an assessment is made of the needs of the Company, the skills, knowledge and experience already present and required in the board. In light of this assessment, a description of the required role, skills, knowledge and experience and competences is drawn up (also called a 'profile').

The candidates will then be thoroughly assessed to see if their skills, knowledge and experience are in line with the board of directors' predetermined profile.

In the event of a first appointment, the Chair shall ensure that the board of directors - before considering the approval of the candidature - has sufficient information about the candidate, such as the curriculum vitae, the assessment of the candidacy on the basis of an initial interview, a list of positions already held by the candidate and, if necessary, any other information required to evaluate the candidate's independence.

In the case of reappointment, an assessment of the director's contribution, effectiveness and commitment is made in accordance with the above-mentioned principles of transparency.

For each appointment of a director, the board of directors, in consultation with the candidate director and under the leadership of the Chair, examines the extent to which an introduction and information procedure is put in place so that the candidate-director is able to make an effective contribution to the board of directors.

The introduction process should help the director to gain insight into the fundamental aspects of the company, including its governance, strategy, general policies, financial and strategic challenges. In addition, the introductory programme should advise the director concerning his/her rights and duties as director.

Each proposal to appoint a director by the shareholders' meeting shall be accompanied by a recommendation by the board of directors based on the recommendation of the remuneration and appointment committee. This provision also applies to proposals for

appointment made by shareholders. The proposal mentions the proposed duration of the mandate and is accompanied by relevant information about the professional qualifications of the candidate, together with a list of the positions that the candidate already holds. The board of directors states which candidates meet the independence criteria of Article 526ter of the Belgian Companies Code.

The board shall indicate whether the candidate meets the independence criteria. Without prejudice to the applicable legal provisions, proposals for appointment of a candidate director shall be announced at the latest 30 days before the shareholders' meeting, together with any other agenda items.

### **2.3.2 Non-executive directors**

Non-executive directors shall be fully informed of the extent of their duties when they are candidates, mainly regarding the time required for the performance of their mandate. They may not consider holding more than 5 directorships in listed non-affiliated companies. Any changes to their other relevant commitments and new commitments outside the Company shall be reported to the Chair of the board of directors at the appropriate time.

### **2.3.3 Chair**

The board of directors appoints its Chair based on his/her knowledge, expertise, experience and mediation skills.

If the board of directors considers appointing the previous CEO as Chair, the advantages and disadvantages of such a decision must be carefully weighed and the Corporate Governance Statement will state why such an appointment is in the best interests of the Company.

## **2.4 Term of directorships**

In accordance with the Company's articles of association, and in derogation from the Corporate Governance Code, the directors are appointed for a period of 6 years.

A term of less than 6 years is considered too short given the complexity of the type of real estate in which Retail Estates specialises.

Independent directors may exercise their mandate as independent director for no more than 2 terms of 6 years.

The mandate of executive directors expires at the annual shareholders' meeting following the date on which the director concerned reaches the age of 65, except in special cases.

Non-executive directors will resign their mandate at the annual shareholders' meeting following the date on which they reach the age of 70, except in special cases..

## **2.5 Integrity and dedication of the directors**

For all directors, both executive and the non-executive, and for the latter regardless of whether they are independent or not, it is necessary that they decide on the basis of an independent judgement.

The directors shall ensure that they receive detailed and accurate information that they study in detail in order to have and maintain a thorough knowledge of the main aspects of the business activity. They shall ask for clarification whenever they consider it necessary.

Although they are part of the same collegiate body, executive and non-executive directors each fulfil their specific and complementary role in the board of directors.

The directors shall use the information they acquire in their capacity as directors only in the context of their mandate.

In the performance of their duties, the directors shall demonstrate the greatest personal and professional integrity.

## **2.6 Operation of the board of directors**

### **2.6.1 Planning and agenda items of the meetings of the board of directors**

At the beginning of the financial year, the Chair, in consultation with the CEO, shall draw up a schedule of meetings of the board of directors for the following year. He/She will submit this schedule for approval to the board of directors.

The board of directors shall meet at least 4 times a year, and at least often enough to be able to effectively assume its responsibilities. The Chair may convene other meetings whenever the interests of the Company so require or at the request of at least 2 directors or the CEO. The number of meetings of the board of directors and its committees, as well as the individual level of attendance of the directors at these meetings, shall be disclosed in the Corporate Governance Statement.

Meetings of the board of directors may validly be held by videoconference or conference call. In this case, the meeting shall be deemed to have been held at the registered office of the Company if at least one director was physically present at the Company's registered office.

In consultation with the CEO, the Chair shall determine the agenda items of each meeting of the board of directors. During the meeting, the board of directors may decide to place an additional item on the agenda provided that all members are present and agree with this change of the agenda. If the submitted item requires too much preparation, any director may object to the discussion of this item if no sufficient guarantees are provided.

Any director may, by letter, fax, email or any other written means, give a proxy to another member of the board to represent him or her at a given meeting. No director may represent more than two other directors.

The board of directors may invite to its meetings anyone whose attendance is considered useful.

The Statutory Auditor may send a motivated request to the CEO or the Chair to attend a meeting of the board of directors. The Chair must immediately inform the other members of the board of directors of this. The board of directors decides whether or not to meet this request and informs the Statutory Auditor accordingly.

### **2.6.2 Invitation to the meeting and prior dissemination of the documents**

Notices of meetings shall indicate the place, date, time and agenda of the meeting and shall be sent by regular mail, fax or email at the latest 24 hours prior to the meeting. In exceptional circumstances, when the above-mentioned convening deadlines cannot be met, the time periods may be shortened. If necessary, notice may be given by telephone, in addition to the above-mentioned means.

All important information needed by the directors for the proper understanding of the topics discussed at the meeting, as well as the draft of the minutes of the previous meeting, shall be delivered to each director in writing 24 hours before the meeting.

### **2.6.3 Quorum and deliberation**

Pursuant to Article 13 of the articles of association, the board of directors may, except in case of force majeure, only validly deliberate and decide if at least half of its members are present or represented. If this condition is not met, a new meeting may be convened, which may validly deliberate and decide on the items on the agenda of the previous meeting if at least two directors are present or represented.

Board decisions shall be approved by a simple majority of votes cast by those directors who are present or represented or, in the event of one or more of them having abstained, by a majority of the other directors. In the event of a tie, the director chairing the meeting shall cast the deciding vote.

In exceptional circumstances, where the urgency of the matter and the interests of the Company so require, resolutions of the board of directors may be adopted by the unanimous written consent of the directors. However, this procedure may not be used to adopt the annual accounts or determine the appropriation of the authorised capital.

### **2.6.4 Minutes**

The decisions of the board of directors are recorded in minutes.

The minutes will be prepared by the CEO after each meeting. They will be delivered to each director in writing 24 hours before the next meeting, unless urgency requires a shorter period.

The minutes of the meeting provide a summary of the discussions, specify the resolutions adopted and mention any reservations by specific directors.

After approval, the minutes are signed by the chair of the meeting, the secretary if any, and the members who wish to do so.

Without prejudice to the legal provisions in this regard, the minutes shall be confidential unless the board of directors expressly decides otherwise for all or part of the minutes. They are kept by the CEO.

## **2.7 Evaluation of performance**

The board of directors is responsible for the quality of its performance. Individual directors must continue to improve their skills and knowledge about the Company in order to fulfil their role in the board of directors and in the committees of the board.

In order to continually improve the effectiveness of the board of directors, the board of directors, under the leadership of the Chair, shall systematically and regularly (at least every 2 to 3 years for example) evaluate its size and composition, its performance and that of its committees, as well as its interaction with the management committee.

The non-executive directors shall regularly (preferably once a year) evaluate their interaction with the management committee, in the absence of the CEO and other executive directors.

The actual contribution of each director shall be evaluated periodically in order to be able to adapt the composition of the board of directors to changing circumstances.

The board of directors shall act on the basis of the results of the evaluation by identifying its strengths and addressing its weaknesses. Where appropriate this implies that new members are appointed, that it can be proposed that existing members not be reappointed, or that measures are taken that are deemed useful for the efficient operation of the board of directors.

The Company shall disclose information on the key features of the evaluation process of the board of directors, its committees and its individual directors in the Corporate Governance Statement.

## **2.8 Secretary**

Unless otherwise decided by the board of directors, the board appoints a secretary who is not necessarily a member of the board of directors. The company lawyer can be eligible for this position or will at least assist the secretary in the performance of his mandate. In addition, the secretary reports on the manner in which the procedures, rules and regulations of the board are monitored and observed.

Individual directors have access to the company secretary.

The secretary performs all administrative tasks (agenda, minutes, archiving, etc.), ensures that all documents necessary for the performance of the assignments of the board of directors are drawn up, and advises the board of directors on all administrative matters.

### **3 Specialised committees: internal rules**

#### **3.1 General principles**

In accordance with Article 17 of the Company's articles of association, the board of directors may establish one or several advisory committees from amongst its members, which will fall under the responsibility of the board of directors.

The board of directors has established two specialised committees within the board: the audit committee and the remuneration and appointment committee. In addition, in accordance with Article 524*bis* of the Belgian Companies Code, the board of directors has transferred a part of its powers to a management committee ("*directiecomité*").

The Chair shall ensure that the board of directors appoints members and a chair for each committee. Each committee consists of at least three members. The term of the mandate as a member of a committee may not exceed the term of membership of the board of directors.

After each meeting of the audit committee and the remuneration and appointment committee, the board of directors receives a report from each committee on its findings and recommendations.

#### **3.2 Audit committee**

##### **3.2.1 General**

In accordance with Article 526*bis* of the Belgian Companies Code, the board of directors has established an audit committee.

##### **3.2.1 Responsibilities**

The audit committee provides support to the board of directors in fulfilling its responsibilities for monitoring with a view to an audit in the broadest sense.

In general, the audit committee informs the board of directors of the result of the statutory audit of the statutory and consolidated annual accounts, and explains to the board of directors how the statutory audit of the statutory and consolidated annual accounts has contributed to the integrity of the financial reporting and the role that the audit committee played in this process, and reports regularly to the board of directors on the performance of its duties, with mention being made of all issues with regard to which the audit committee is of the opinion that something needs to be done or that improvement is needed. The audit committee also makes recommendations regarding the steps to be taken.

The audit committee – in general and without prejudice to the organisation of the internal audit function referred to in Article 17 of the REIT Act – is responsible for ensuring the internal audit of the Company. The specific tasks of the audit committee may evolve depending on the circumstances.

Without prejudice to the statutory tasks of the board of directors, the audit committee has at least the following tasks:

*a) Monitoring the financial reporting process:*

- i) The audit committee assesses the relevance and coherence of the accounting standards applied by the Company to annual accounts. This assessment includes the criteria for consolidating the annual accounts of the companies of the group. This assessment also includes assessing the accuracy, completeness and consistent nature



of the financial information. The assessment relates to periodical information before its publication. The assessment is carried out on the basis of an audit programme used by the audit committee;

- ii) The audit committee discusses important financial reporting issues with both the management committee and the Statutory Auditor;
- iii) The audit committee examines the quality and reliability of the draft annual accounts and the financial statements of the Company that are provided to the board of directors;
- iv) The audit committee ensures that the documents are faithful to the state of affairs, that they are drawn up in accordance with the legal requirements and comply with the requirements of the FSMA.

b) Monitoring the effectiveness of internal control and risk management systems:

- i) At least once a year, the audit committee monitors the effectiveness of the internal control and risk management systems set up by the management committee (including the internal control and risk management systems relating to the financial reporting process, including the annual report of Retail Estates and the consolidated annual accounts) with the aim of ensuring the effective identification, control and publication of the main risks (including the risks related to fraud and compliance with existing legislation and regulations) in accordance with the framework approved by the board of directors;
- ii) The audit committee assesses the statements on internal control and risk management included in the Corporate Governance Statement;
- iii) The audit committee assesses the existing specific arrangements that employees of the Company can use, in confidence, to express their concern about possible irregularities in financial reporting or other matters. If deemed necessary, arrangements will be made for an independent investigation and appropriate follow-up of these matters, in proportion to the alleged seriousness thereof. At the same time, arrangements are made according to which employees can inform the chair of the audit committee directly;
- iv) In case of conflicts of interest, the audit committee monitors the application of the legal and regulatory provisions in force as well as the corporate governance rules within the board of directors and/or within the committees;
- v) The audit committee investigates the areas in which risks could meaningfully affect the financial situation of the Company and its reputation;
- vi) The audit committee verifies whether the procedures used make the identification of these risks possible, estimates the potential impact, and verifies whether the measures to prevent or cover these risks adequately limit the consequences;
- vii) When new regulations, legislation or guidelines are provided that could have a significant influence on the Company's accounts, on its financial situation or on its short-term or long-term results, the committee will ensure their introduction and impact as well as the implementing measures approved by the management committee. Where appropriate, it will make recommendations to the board of directors and, if necessary, to the management committee.

Monitoring the internal audit and its effectiveness:

- i) Each year, the audit committee ensures that the independent internal audit function has the resources and know-how appropriate to the nature, size and characteristics of the Company;
- ii) The audit committee assesses the work programme of the internal auditor, taking into account the complementary role of the internal and external audit functions. It receives the internal audit reports or a periodic summary thereof;
- iii) In particular, the audit committee makes recommendations regarding the selection, appointment, reappointment and dismissal of the head of internal audit and the budget allocated to internal audit, and examines the extent to which management addresses its findings and recommendations.

d) Monitoring the statutory audit of the annual accounts and the consolidated annual accounts including follow-up of the questions and recommendations formulated by the Statutory Auditor

e) External audit, including assessment and monitoring of the independence of the Statutory Auditor:

- i) The audit committee assesses the size and scope of the external audit carried out, as well as the procedures for implementing it;
- ii) It assesses the results of this external audit, as well as the reports of the Statutory Auditor to the shareholders;
- iii) It assesses the effectiveness of the external audit process, and examines the extent to which management addresses the recommendations made by the Statutory Auditor in their management letter;
- iv) It ensures that the mandate of the Statutory Auditor is exercised with complete independence;

In this respect, the Statutory Auditor will:

- annually confirm his or her independence from the Company to the audit committee;
- annually report all additional services provided to the audit committee on behalf of the Company;
- consult with the audit committee on the threats to his or her or its independence and the measures taken to limit these threats; and
- send a report to the audit committee containing a description of all his or her or its links with the Company and its group.

More specifically, the audit committee analyses, together with the Statutory Auditor, the threats to his or her or its independence and the security measures taken to mitigate these threats when the total fees at the Company exceed the criteria set out in Article 4, § 3, of Regulation (EU) No. 537/2014 (i.e., if the fees received from the Company in each of the last three consecutive financial years for its statutory mandate exceed 15 percent of the total fees of the Statutory Auditor vis-à-vis the Company);

The audit committee also monitors the nature and scope of the additional services performed by the Statutory Auditor. In this respect, the audit committee shall submit to

the board of directors an official policy plan that it applies, indicating those additional services that:

- are excluded;
  - are authorised after assessment by the audit committee; and
  - are authorised without reference to the audit committee, with due observance of the specific requirements of the Belgian Companies Code.
- v) It takes cognisance of the report of the Statutory Auditor reporting on the important issues that had come to light in the exercise of its statutory audit of the annual accounts, and more specifically on serious deficiencies in internal control with regard to financial reporting;
- vi) On the proposal of the management committee, the audit committee makes a proposal to the board of directors regarding the selection, appointment, reappointment and remuneration of the Statutory Auditor, which are to be presented to the shareholders' meeting.

The proposal of the audit committee for the appointment and reappointment of the Statutory Auditor, after approval by the board of directors, is placed on the agenda of the shareholders' meeting.

- vii) It conducts an inquiry into the issues that give rise to the resignation of the Statutory Auditor and makes recommendations regarding all actions that are required in this respect.

### **3.2.1 Composition**

The Chair may not be the chair of the audit committee.

At least a majority of the members of the audit committee must be independent.

The board of directors ensures that the audit committee has sufficient relevant expertise, particularly in the areas of accounting, auditing and financial matters, so that it can effectively fulfil its role.

At least one member of the audit committee has the necessary expertise in accounting and auditing.

### **3.2.2 Operation**

The audit committee meets at least four times a year. Regularly (and at least every two to three years) it revises its internal rules, evaluates its own effectiveness and makes recommendations to the board of directors regarding the necessary changes.

The audit committee meets at least twice a year with the Statutory Auditor and the internal auditor to discuss matters relating to its internal rules and all matters arising from the audit process and in particular the significant weaknesses of internal control.

The audit committee decides whether, and if so when, the CEO, the CFO, the internal auditor and the external auditor attend its meetings. The audit committee has the opportunity to speak to any relevant person, without a member of the management committee being present.

In addition to maintaining an effective working relationship with the management committee, the internal auditor and the external auditor must have guaranteed free access to the board of directors. To this end, the audit committee acts as the main point of contact for the internal

auditor and the external auditor. The external auditor and the head of the internal audit must have direct and unlimited access to the chair of the audit committee and to the Chair of the board of directors.

### **3.3 Remuneration and nomination committee**

#### **3.3.1 General**

In accordance with Article 526<sup>quater</sup> of the Belgian Companies Code, the board of directors has set up a remuneration committee, which also acts as an appointment committee.

The committee has the necessary expertise in the area of remuneration policy.

#### **3.3.2 Responsibilities**

Without prejudice to the statutory tasks of the board of directors, the remuneration and appointment committee has the following responsibilities:

##### *(a) Appointment*

The remuneration and appointment committee makes recommendations to the board of directors regarding the appointment of the directors, the CEO and possibly other members of the management committee, and ensures that the appointment and reappointment process is as objective and professional as possible.

More specifically, the remuneration and appointment committee must:

- design appointment procedures for directors, CEO and possibly other members of the management committee;
- periodically evaluate the size and composition of the board of directors and make recommendations to the board of directors regarding changes;
- if and when there are vacant director's positions, seek candidates and submit them for approval to the board of directors;
- advise on proposals for appointment from shareholders;
- carefully consider issues relating to succession.

The remuneration and appointment committee shall take into account the proposals made by relevant parties, including management and shareholders.

##### *(a) Remuneration*

The board of directors shall charge the remuneration and appointment committee with the preparation or assessment of proposals to the board regarding:

- the remuneration policy of the non-executive directors, the persons entrusted with day-to-day management (CEO) and the members of the management committee as well as, where applicable, the resulting proposals to be submitted to shareholders;
- the individual remuneration for directors, those entrusted with day-to-day management (CEO) and the members of the management committee, including variable remuneration and long-term performance bonuses, whether or not linked to shares, in the form of stock options or other financial

instruments, and severance pay, and where applicable, the resulting proposals to be submitted to shareholders.

The remuneration and appointment committee prepares the remuneration report that is attached to the Corporate Governance Statement by the board of directors, and explains the remuneration report at the annual shareholders' meeting.

### **3.3.3 Composition**

The remuneration and appointment committee consists exclusively of non-executive directors. A majority of them are independent directors within the meaning of Article 526ter of the Belgian Companies Code.

The Chair or another member of the committee chairs the committee.

The Chair may be involved in this, but he/she does not chair the appointment committee when the choice of his or her successor is being dealt with.

The term of the mandate as a member of the committee may not exceed the term of membership of the board of directors.

The CEO participates in the meetings of the remuneration and appointment committee with an advisory vote when it deals with the appointment and/or remuneration of any other members of the management committee.

### **3.3.4 Operation**

The remuneration and appointment committee meets at least twice a year and whenever it considers it necessary to properly fulfil its duties.

Regularly (at least every two to three years) it revises its internal rules, evaluates its own effectiveness and makes recommendations to the board of directors regarding the necessary changes.

The remuneration and appointment committee may obtain professional advice at the expense of the Company after the Chair of the board of directors has been informed.

The committee regularly reports to the board of directors on the performance of its duties.

## **4 Management Committee (Internal Rules of the Management Committee)**

### **Introduction**

The board of directors of the Company (for purposes of these Internal Rules, hereinafter referred to as the “**Board of Directors**”), has set up a management committee to which it has transferred its management powers in accordance with Article 524*bis* of the Belgian Companies Code and Article 18 of the articles of association of Retail Estates (hereinafter referred to as the “**Management Committee**”).

This delegation of powers does not concern:

- outlining the strategy and general policy;
- acts and decisions reserved by law or the articles of association to the Board of Directors;
- except for the matters reserved by law or the articles of association, the actions and decisions which the Board of Directors resolves to keep within its own powers (‘reserved matters’, listed in Article 4 of these Internal Rules).

The Management Committee is a decision-making body with collegial responsibility and operation.

The Management Committee regularly reviews its Internal Rules and, if appropriate, recommends to the Board of Directors that it approve any changes it considers desirable.

The current Internal Rules of the Management Committee were approved by the Board of Directors on 15 February 2019.

### **Article 1 – Composition of the Management Committee**

The members of the Management Committee are appointed by the Board of Directors, on a proposal from the remuneration and appointment committee.

The present members of the Management Committee are:

- the Chief Executive Officer (the ‘CEO’) – effective company leader
- the Chief Financial Officer (the ‘CFO’) – effective company leader
- the Chief Investment Officer (the ‘CIO’)
- the Chief Legal Officer (the ‘CLO’)

### **Article 2 – Role of the Management Committee**

The Management Committee has the following role:

- Making proposals to the Board of Directors in the areas of strategy and general policy;
- Implementing the strategy defined by the Board of Directors, including the decisions to acquire or transfer rights in rem on real estate or shares of real estate companies;
- Responsible for the day-to-day management of the company and reporting on this to the Board of Directors.

### **Article 3 – Matters reserved to the Board of Directors under the law or the articles of association**

Under the law and the articles of association, the Board of Directors is entrusted with the following decisions (non-exhaustive list):

- Determining the Company’s strategy and general policy (including human resources and communications);

- Preparing the Company's annual accounts, half-yearly and quarterly accounts, and taking all the steps necessary to ensure the integrity and timely publication of these documents and any other financial or non-financial information of significance (prospectus, press releases, etc.);
- Preparing the management report for the shareholders' meeting, which includes the Corporate Governance Statement and the remuneration report;
- Convening the annual, special and extraordinary shareholders' meetings of the Company;
- Use of the authorised capital;
- Preparing the special reports to the Board of Directors foreseen by law (authorised capital, contribution in kind, merger and demerger reports, etc.);
- Decide on the structure of the executive management of the Company and determine the authority and tasks that are entrusted individually or collectively to the effective leaders and senior management of the Company; Recruiting the effective leaders and members of senior management, and deciding their remuneration after advice from the remuneration and appointment committee; Assessing the performance of the effective leaders of the Company and members of senior management, and implementation of the Company's strategy;
- Defining the Company's values;
- Deciding on the level of risk that the Board of Directors considers acceptable;
- Overseeing the performance of the Company's Statutory Auditor and the internal audit function, taking into account the review conducted by the audit committee;
- Introducing the structures and procedures that promote the proper functioning and trust of shareholders, including the mechanisms for preventing and managing conflicts of interest.

**Article 4 – Matters reserved to the Board of Directors other than the acts and decisions reserved under the law or the articles of association**

- Determining the budget;
- Concluding all agreements for a real estate investment or divestment valued at more than EUR 10 million;
- Decisions on civil or fiscal proceedings of a judicial or administrative nature <sup>1</sup>(including decisions to bring an amicable end to a dispute or proceedings), whose commitment or financial risk exceeds EUR 1 million, with the understanding that decisions on criminal proceedings or involving a reputational risk fall under the authority of the Board of Directors without application of a threshold;
- The acquisition or transfer of all movable assets (including derivative or structured products), amounting to more than EUR 1 million, excluding the acquisition and transfer of derivative and structured products used in the hedging policy, as long as they remain within the scope of the hedging policy or within budget;
- Deciding on investments in liquid assets with maturities of 6 months or more;
- Decisions, actions and agreements relating to the Company's effective leaders or members of senior management;
- The appointment of independent real estate experts within the meaning of the REIT regulations;

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<sup>1</sup> Among other things, filing complaints, protests, taking legal steps such as summons, seizure, objection, appeal, withdrawal of proceedings.

- Any decision that would fall outside of the strategic framework or general policy as determined by the Board of Directors (e.g. starting up investments abroad).

## **Article 5 – Management powers and responsibilities of the Management Committee**

Consequently, the management powers of the Management Committee includes the following matters:

1. Analysing, preparing and proposing, under the direction of the managing director (CEO), the Company's policy and overall strategy, in order to submit this to the Board of Directors (including the general lines of policy for financial management, risk management, budget preparation);
2. Developing, preparing and submitting proposals to the Board of Directors or to its specialised Committees in any matter falling under their powers;
3. Submitting to the Board of Directors the full, punctual, reliable and correct preparation of financial statements and other financial and non-financial information in accordance with the accounting and regulatory standards and policies of the Company;
4. Due diligence on investment and divestment projects and the related recommendations to the Board of Directors valued at more than EUR 10 million;
5. Concluding lease agreements (including usufruct, ground lease, ...);
6. Negotiating and concluding all real estate investment or divestment agreements valued at EUR 10 million or less;
7. Decisions on civil or tax proceedings of a judicial or administrative<sup>2</sup> nature (including bringing an amicable end to a dispute or proceedings), whose commitment or financial risk is less than EUR 1 million, with the understanding that decisions on criminal proceedings or involving a reputational risk fall under the powers of the Board of Directors without application of a threshold;
8. Acquiring or transferring securities for an amount of EUR 1 million or less, with the understanding that the acquisition and transfer of derivative or structured products used in the implementation of the hedging policy are not subject to this limit, as long as they remain within the scope of the hedging policy or within budget;
9. Decisions on investments in liquid assets with maturities of less than 6 months;
10. The day-to-day management of Retail Estates, which includes the following aspects (without this list being exhaustive):
  - The commercial, operational and technical management of the real estate assets;
  - Transactions associated with the Company's tax management: Processing of information requests from the tax authorities, signing all documents or declarations to tax administrations at federal or local level or to a foreign tax administration;
  - Communication with the administrative authorities, supervisory and market authorities (investigation and management of accreditation procedures, various reports, data update, etc.).
11. The organisation and management of support functions, such as:
  - human resources, including recruitment, training and the remuneration of employees, with the exception of decisions, actions and agreements relating to effective leaders and members of senior management;
  - Legal and tax matters;
  - The financial, administrative and legal management of the subsidiaries;

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<sup>2</sup> Among other things, filing complaints, protests, taking legal steps such as summons, seizure, objection, appeal, withdrawal of proceedings.



- The management audit and internal audit: introducing internal controls (systems for identifying, assessing, managing and monitoring financial and other risks), based on the reference framework approved by the Board of Directors, without prejudice to the monitoring role played by the Board of Directors;
- Reporting to the Board of Directors, the FSMA and the Statutory Auditor(s) of the Company on the assessment of the internal control system;
- Internal and external communication (except for the communications referred to in Section 3 above);
- IT systems and ICT policy.

12. The provision in due course of all necessary information to the Board of Directors for the performance of its obligations.

After consultation with the Chair of the Board of Directors, the Management Committee takes the initiative to submit to the Board of Directors each transaction, even those clearly within its powers, which the Management Committee considers necessary to submit due to its nature, the associated risks or the parties involved.

When an operation consists of different components or transactions, the above thresholds apply to the operation as a whole and not to each component or transaction separately.

#### **Article 6 – Activity Report**

At each meeting of the Board of Directors and at least quarterly, the managing director (CEO) and the other members of the Management Committee will report to the Board of Directors on the important aspects of operational management. They will provide the Board of Directors with all information of significance with regard to at least the following issues:

- Developments that affect the Company's activities and the changes in its strategic context;
- The financial prospects and results of the Company;
- Current or potential major disputes;
- The regular follow-up of all matters falling within the remit of the Board of Directors.

This Report will be submitted at least 8 days before the meeting of the Board of Directors for which it is intended.

#### **Article 7 – Procedures**

##### 1. Internal operation

- The Management Committee is a decision-making body with collegial responsibility and operation: its decisions are taken by a consensus of its members, who share collegial responsibility for this. In this case, the Chair of the Management Committee may, at his/her initiative or at the request of two other members, submit the matter to a vote. The decision is then adopted by majority vote of the members present. In the case of a tie, the Chair has the casting vote.
- The members of the Management Committee take the necessary measures to create a climate of trust and close cooperation by contributing to open discussions and to the constructive presentation of the different views.
- The Management Committee meets as often as necessary, under the chair of the managing director (CEO), and in principle once a week. It may, as necessary, be convened at any other time by the Chair or at least two members of the Management Committee wishing to do so.
- The Management Committee may invite to its meetings any person whose presence it considers useful.

- The files of the meetings of the Management Committee are centralised and assigned by the Chief Legal Officer of the Company, who is also responsible for preparing the reports. The reports are a summary of the discussions, and contain the decisions taken by the Management Committee. They are approved by members of the Management Committee and a copy is kept in the archives of Retail Estates. The managing director (CEO) and the Chief Legal Officer of the Company are each authorised to certify the copies or extracts of the deliberation reports.

## 2. Responsibilities of CEO as chair of the Management Committee

The responsibilities are:

- presiding over, leading and organising the proper functioning of the Management Committee;
- providing leadership, support and advice to the other members of the Management Committee in the performance of their individual operational responsibilities;
- acting as the main spokesperson for Retail Estates to the outside world;
- reporting to the Board of Directors on the main initiatives and decisions adopted by the Management Committee in the performance of its duties.

## 3. Cooperation of CEO as chair of the Management Committee with the Chair of the Board of Directors

- Maintain permanent communication and dialogue with the Chair of the Board of Directors in an open and positive climate;
- In consultation with the Chair of the Board of Directors, to determine the objectives for the members of the Management Committee, evaluating their performance and formulating proposals for their remuneration to the remuneration and appointment committee;
- Together with the Chair of the Board of Directors, prepare the agenda items of the Board of Directors and discuss with him/her all issues in all areas of information and orientation necessary for good harmony between the Management Committee and the Board of Directors.

### **Article 8 – Compliance with Corporate Governance rules**

The members of the Management Committee undertake to comply with the rules applicable to Retail Estates, in particular the REIT legislation, the provisions of the Corporate Governance Code, the articles of association, the Corporate Governance Charter of Retail Estates, the Dealing Code, as well as the current Internal Rules of Retail Estates.

### **Article 9 – Conflicts of interest and duties**

The members of the Management Committee act in the interests of the Company. They will organise their personal and professional affairs in such a way as to avoid any direct or indirect conflict of interests with the Company.

They shall inform the Management Committee of potential conflicts of interest. In accordance with Article 524ter of the Belgian Companies Code and Article 18 of the articles of association, the Management Committee then informs the Board of Directors, and the case to which the conflict of interests relates is placed on the agenda of the Board of Directors meeting for deliberation and decision, if necessary with application of the procedure described in Article 523, §1 of the Belgian Companies Code (see also Section 7.3.2).

### **Article 10 – Transactions relating to financial instruments of the Company**

With regard to transactions related to financial instruments of the Company, members of the Management Committee are subject to the rules for the prevention of market abuse contained in the Retail Estates Dealing Code.

They must inform the compliance officer prior to each transaction and follow the disclosure procedures provided for by applicable law.

#### **Article 11 – Determination of the objectives, assessment of performance and remuneration**

The remuneration of the members of the Management Committee is determined, in accordance with the remuneration policy of Retail Estates, by the Board of Directors on a proposal from the remuneration and appointment committee after consulting the managing director (CEO) regarding the remuneration of the members of the Management Committee other than himself/herself.

Each year, the Board of Directors, on a proposal from the remuneration and appointment committee, will establish the objectives of the members of the Management Committee for the following financial year/years, and assess their performance over the past year in accordance with the Retail Estates remuneration policy. This assessment must include the partial or full awarding of the variable portion of their annual remuneration.

#### **Article 12 – Representation of the Company**

Pursuant to Article 19 of its articles of association, the Company is validly represented in all transactions and for all obligations vis-à-vis all third parties or public or private administrations:

- either by two directors acting jointly;
- or by the managing director (CEO), within the limits of day-to-day management;
- or within the limits of the special mandate granted by the Board of Directors.

### **5 Remuneration policy**

#### **5.1 General**

The remuneration must be sufficient to attract, retain and motivate directors and members of executive management that meet the profile determined by the board of directors.

The remuneration of the directors is set by the shareholders' meeting on a proposal from the board of directors after the recommendation of the remuneration and appointment committee. The remuneration of the CEO is set by the board of directors after consulting the remuneration and appointment committee. No one shall decide on his/her/its own remuneration.

The directors will be reimbursed for the normal and justified expenditures and costs that they might incur in the performance of their mandate, and provided that these costs were discussed in advance and accepted by the chair of the board of directors.

In addition, in accordance with Article 35 of the REIT Act, the directors' remuneration may not be granted based on a specific operation or transaction of the Company or its subsidiaries.

#### **5.2 Remuneration report**

The Company shall draw up a remuneration report. This remuneration report forms a specific part of the Corporate Governance Statement.

The Company's remuneration report contains the following information:

- A description of the procedure used for the financial year covered in the annual report to (i) develop a remuneration policy for the directors, the persons entrusted with the day-to-day management (CEO) and the other members of management committee and (ii) to

- determine the remuneration of individual directors, persons in charge of the day-to-day management (CEO) and the members of the management committee of the Company;
- A statement on the remuneration policy of the directors, the persons entrusted with the day-to-day management (CEO), and the members of the management committee of the Company, for the financial year covered in the annual report, which must include at least the following information:
    - The principles on which remuneration was based, indicating the relationship between remuneration and performance;
    - The relative importance of the various components of the remuneration;
    - A description of performance bonuses in shares, options or other rights to acquire shares;
    - Information on the remuneration policy for the next two financial years
  - When the remuneration policy is changed substantially in comparison with the reported financial year, this must be specified;
  - On an individual basis, the amount of remuneration and other benefits granted directly or indirectly to the non-executive directors by the Company or a Company belonging to the scope of consolidation of the Company;
  - If certain members of the day-to-day management (CEO) or possibly other members of executive management are also members of the board of directors, information about the amount of remuneration they receive in that capacity;
  - In the event that the executive directors, the persons entrusted with day-to-day management (CEO) and any other members of executive management qualify for remuneration based on the performance of the Company or a Company that belongs to the scope of consolidation of the Company, on the performance of the business unit or on the performance of the person involved, the criteria for performance evaluation relative to the objectives, the evaluation period and a description of the methods used to determine whether these performance criteria were met. This information must be disclosed in such a way that it does not provide confidential information about the Company's strategy;
  - The amount of remuneration and other benefits granted directly or indirectly to the CEO (on an individual basis) and the other members of the management committee (on a global basis) by the Company or a company belonging to the scope of consolidation of the Company. This information must always include a breakdown between:
    - the basic salary;
    - the variable remuneration: All additional remuneration linked to performance criteria, indicating the form in which this variable remuneration was paid;
    - pension: The amounts paid during the financial year treated in the annual report or the costs of the services rendered during the financial year covered in the annual report, according to the type of pension plan, with an explanation of the applicable pension scheme;
    - the remaining components of the remuneration, such as the cost or value of insurance and other benefits in kind, with an explanation of the details of the main components.

When this remuneration is changed substantially in comparison with the financial year covered in the annual report, this must be specified;

- For the executive directors, persons entrusted with day-to-day management (CEO) and the other members of the management committee, on an individual basis, the number and principal characteristics of the shares, stock options or all other rights to acquire shares, granted, exercised or expired during the financial year covered in the annual report;
- For executive directors, persons entrusted with day-to-day management (CEO) and the other members of the management committee, on an individual basis, the provisions concerning severance pay;
- In the case of resignation of the executive directors, the persons entrusted with the day-to-day management (CEO) and the other members of the management committee, the responsibility and decision by the board of directors, on a proposal from the remuneration committee, or the persons involved are eligible for the severance pay and the basis for calculating this;
- For the executive directors, persons entrusted with day-to-day management (CEO) and the other members of the management committee, the degree to which the Company is granted a right to recover variable remuneration granted on the basis of incorrect financial data.

### **5.3 Remuneration of non-executive directors and the Chair**

The remuneration of the non-executive directors and the Chair of the board of directors takes into account their role as ordinary director and their specific roles, as chair or member of the audit committee or the remuneration and appointment committee, as well as the resulting responsibilities and time required.

Non-executive directors receive only a fixed remuneration, which depends for half on their attendance (i.e. 50% of the fee consists of a fixed amount and 50% of an attendance fee). They do not receive performance-related remuneration, such as bonuses or stock-related incentive programmes in the long term, and no benefits in kind or benefits associated with retirement plans.

The Chair receives EUR 60,000 on an annual basis.

If an agreement with a non-executive director would nevertheless provide for variable remuneration, this provision on variable remuneration must be approved in advance by the next annual shareholders' meeting of the Company in accordance with Article 554, paragraph 7 of the Belgian Companies Code and this deviation from the Corporate Governance Code must be communicated and explained in the Corporate Governance Statement.

### **5.4 Remuneration of executive directors and members of the management committee**

The board of directors seeks to establish the level and structure of remuneration of the management committee in such a manner that qualified and skilled professionals can be attracted, retained and motivated, taking into account the nature and scope of their individual responsibilities.

On the advice of the remuneration and appointment committee, the board of directors approves the contracts for appointing the CEO and the other members of the management committee.

If a member of the management committee is also a member of the board of directors, the remuneration report shall state the amount of the remuneration that he/she receives in this capacity.

In order to match the interests of the CEO and any other members of the management committee to those of the Company and its shareholders, an appropriate part of their remuneration package will be linked to the performance of the company and individual performance.

In accordance with Articles 520*bis*, 524*bis*, last paragraph and 525, last paragraph of the Belgian Companies Code, the criteria for making remuneration of an executive director, a person in charge of day-to-day management (CEO) or other member of the management committee variable, must explicitly be included in the contractual or other provisions governing the legal relationship in question. Payment of this variable remuneration may only take place if the criteria for the specified period were met. In the case of failure with respect to the sections above, this variable remuneration will not be taken into account when calculating the severance payment.

In accordance with Articles 520*ter* and 524*bis*, last paragraph and 525, last paragraph of the Belgian Companies Code, subject to explicit approval by the shareholders' meeting, at least one fourth of the variable remuneration for an executive director, a person in charge of day-to-day management (CEO) or a member of the management committee, must be based on predefined and objectively measurable performance criteria over a period of at least two years, and at least another fourth must be based on predefined and objectively measurable performance criteria over a period of at least three years. This obligation does not apply if the variable remuneration concerns a fourth or less of the annual remuneration. The term "annual remuneration" includes all elements that require publication pursuant to Article 96, § 3, 6° and 7° of the Belgian Companies Code.

Systems on the basis of which members of the management committee are reimbursed in the form of shares, stock options or any other right to acquire shares will be pre-approved by shareholders by a resolution at the shareholders' meeting. This approval must concern the system itself and not the individual allocation of share-based compensation under the plan. In accordance with Articles 520*ter*, 524*bis*, last paragraph and 525, last paragraph of the Belgian Companies Code, subject to the express approval of the shareholders' meeting, shares may be definitively acquired, and share options or all other rights to acquire shares exercised, by a director, a person entrusted with day-to-day management (CEO) or a member of the management committee, only after a period of at least three years after their awarding.

## **5.5 Severance payment**

Each new contractual arrangement stipulated by the Company or its subsidiaries regarding the remuneration of an executive director, a person entrusted with the day-to-day management (CEO) or a member of the management committee must clearly state that the severance payment granted in the event of early termination of the contract may not exceed 12 months' basic and variable remuneration.

Based on the reasoned opinion of the remuneration and appointment committee, the board of directors can award severance pay of more than 12 months, but no more than 18 months of basic and variable remuneration. The contract states when such higher severance pay may be granted. The board of directors shall justify such higher severance pay in the remuneration report.

Should an agreement with an executive director, another manager, the CEO or a member of the management committee, despite the preceding provisions, provide for a severance payment that exceeds 12 or 18 months' salary, this deviating provision on the severance pay must be approved in advance by the next ordinary shareholders' meeting of the Company in accordance with Article 554 paragraph 4 of the Belgian Companies Code.

The contract clearly states that the total of the severance pay or variable remuneration may not exceed 12 months of base remuneration if the departing CEO or departing member of the management committee has not met the performance criteria referred to in the contract.

## 6 Dialogue with the shareholders

### 6.1 Shareholder structure

Based on the number of voting rights that appears from the information that the Company has received from its shareholders at the time of drawing up this Charter, the Company's shareholder structure is composed as follows:<sup>3</sup>

Shareholders	%
Groep Stichting Administratie 'Het Torentje' <sup>4</sup>	7.76%
FPIM <sup>5</sup>	6.42%
Axa NV	2.69%
Federale Verzekering	4.93%
KBC Groep NV	2.98%
BlackRock, Inc.	3.08%
Public	72.14%
Total	100%

Each share represents one vote. The main shareholders do not have preferential voting rights.

### 6.2 Relationships between shareholders

The Company is not aware of any shareholders' agreements between the shareholders.

### 6.3 Relations with the most important shareholders

Except for the usual commercial transactions subject to market conditions, there are no links between the Company and its major shareholders.

### 6.4 Communication with shareholders

The Company respects the rights of all shareholders and encourages their involvement. The Company ensures equal treatment of all shareholders. It provides all necessary facilities and

<sup>3</sup> Taking into consideration the denominator that is valid on the date of drawing up this Charter (11,490,593 shares), this table, which is merely informative, shows the (presumed) shareholder structure. It should be noted that this does not necessarily correspond with reality (not for all shareholders in any case), since the company is not necessarily aware of share transactions that did not result in a triggering of a notification threshold, and thus did not result in a transparency notification.

<sup>4</sup> This information relates to shares held by Leasinvest Real Estate Comm. VA

<sup>5</sup> This information relates to shares held by Belfius Insurance NV.



information for the shareholders to be able to exercise their rights with full knowledge of the facts/in an informed way.

The board of directors, through its Chair, is in charge of communicating with the shareholders and potential shareholders. The board of directors encourages effective dialogue with the shareholders and potential shareholders. In order to promote this dialogue, the Company communicates through various channels with the shareholders and potential shareholders.

The Company communicates primarily through its website ([www.retailstates.com](http://www.retailstates.com)). It publishes on its website all information and documentation that is of interest to its shareholders, investors or other stakeholders. The Company also devotes a specific part of its website to describing the rights of shareholders regarding participation and voting rights at the shareholders' meeting. The website includes a calendar of shareholders' meetings.

The Company's articles of association and the Charter are available at all times on the Company's website.

In addition, the Company keeps the shareholders and potential shareholders informed of new developments and financial results through press releases. The Company also issues at regular intervals an annual financial report and a half-yearly financial report. The website includes a timetable regarding the periodic information.

When price sensitive information or information related to changes in the rights of shareholders arises, in principle the Company will immediately announce this in accordance with the applicable legislation.

Finally, the shareholders' meetings are also used to communicate with the shareholders and to stimulate their involvement (see below).

## **6.5 Shareholders' meeting**

The Company encourages shareholders to participate in the shareholders' meetings. The shareholders who are not present have the opportunity to vote by proxy. The shareholder may appoint one person as a proxy holder for one specific shareholders' meeting, except for deviations provided for in the Belgian Companies Code.

Prior to the shareholders' meeting, the Company will make available the relevant information through its website.

When convening shareholders' meetings, the Company will provide an explanation of the agenda items and resolutions proposed by the board of directors. In addition to the formalities stipulated by the Belgian Companies Code in this regard, the Company uses its website to disclose all relevant information and documentation about the exercise by shareholders of their voting rights.

One or more shareholders holding together at least 3% of the Company's registered capital may, in accordance with the Belgian Companies Code and within the limits of this, have the items to be treated placed on the agenda of the shareholders' meeting and submit resolution proposals for the topics included or to be included in the agenda. The additional topics or proposals for resolutions must be submitted no later than the 22<sup>nd</sup> day before the date of the shareholders' meeting by the Company. The directors shall answer the questions asked of them by the shareholders during the meeting or in writing with respect to their report or the agenda items, insofar as communication of the information or facts is not of such a nature that it would damage the business interests of the Company or violate the confidentiality to which the Company or its directors are bound. As soon as the convening notice to a shareholders' meeting

has been published, shareholders may ask questions in writing that will be answered at the meeting, provided that the Company has received the written questions no later than the sixth day before the meeting, and provided that the relevant shareholders comply with the formalities that must be fulfilled in order to be admitted to the meeting, as stated in the Belgian Companies Code.

The chair leads the shareholders' meeting and takes the necessary steps to answer relevant questions from shareholders.

The Company will publish the results of the votes (within fifteen days after the shareholders' meeting) and minutes of the shareholders' meeting as soon as possible after the meeting on its website.

## **6.6 Investors**

The board of directors encourages investors, and in particular institutional investors, to play an important role in carefully evaluating the corporate governance of the Company. The board of directors strives to make institutional and other investors aware of the importance of all the relevant factors to which their attention is drawn.

The board of directors invites investors to carefully consider the statements given to justify a deviation from the Corporate Governance Code and, in all cases, to make a reasoned judgement. The board of directors shall enter into dialogue with the investors if they do not accept the position of the Company.

## **7 Internal control**

### **7.1 General**

In accordance with the corporate governance rules and legislation, Retail Estates has developed an internal control and risk management system, taking into account the nature, scale and complexity of the Company's activities and its environment.

Internal control is a process that aims to provide reasonable assurance regarding the following objectives:

- Efficiency and improvement of the operation of the company;
- Reliability and integrity of information;
- Compliance with policies, procedures, and specific laws and regulations.

Retail Estates has used the COSO framework (Committee of Sponsorship Organizations of the Treadway Commission) as a reference framework in implementing its internal control process. The components of this framework and its application to Retail Estates are discussed below.

Good internal control and balanced risk management are inherent in the corporate culture of Retail Estates and are communicated throughout the organisation through:

- corporate governance rules and the existence of a remuneration committee;
- the existence of a code of conduct that deals with issues such as conflicts of interests, professional secrecy, the acquisition and transfer of shares, prevention the abuse of Company assets, communication, etc.;
- a detailed human resource policy with staff recruitment rules, periodic evaluation of performance and determination of annual targets;

- follow-up of procedures and formalisation of processes.

The board of directors regularly evaluates the Company's exposure to risks, the financial impact of these risks and the actions that must be taken to monitor these potential risks, to avoid the risks and/or (where relevant) to limit the impact of these risks.

In particular, the Company has developed internal control and risk management systems for the most important processes within the Company, namely "*Expenditure & Payments*", "*Repairs & Maintenance*", "*Projects in development*" and "*Bill the tenants*".

## **7.2 Appropriate risk management policy**

The main risks the Company faces relate to (i) the market value of the property, (ii) changes in the rental market, (iii) the structural condition of the buildings, (iv) financial risks, including liquidity risk, the use of financial instruments and banking counterparty and covenant risk, (v) permit-technical related risks, (vi) changes to the traffic infrastructure, (vii) soil contamination, (viii) risks associated with merger, demerger or acquisition transactions, and (ix) regulatory risks.

Measures and procedures are in place to identify and monitor each of the listed risks, to avoid these risks, and/or to minimise their impact, if any, and assess, control and monitor their consequences. This is the role of the risk manager.

## **7.3 Integrity policy**

The integrity policy (overseen by the person entrusted with the "compliance function") covers various aspects, including the prevention of insider trading, conflicts of interest and incompatibility of mandates, non-corruption, professional secrecy ...).

The effective leaders examine on a regular basis which other areas and activities should fall under the scope of the compliance function. The "independent compliance function" is treated as an independent function within the organisation, and focuses on investigating and promoting compliance by the Company with the laws, regulations and rules of conduct applicable to the company, and in particular, the rules relating to the integrity of the Company's activities. We discuss the most important of these below:

### **7.3.1 Prevention of insider trading**

In accordance with the principles and values of the company and within the framework of the implementation of the Corporate Governance Code, Retail Estates has included its code of conduct ("Dealing Code") rules that must be observed by the directors, employees and appointed persons who wish to trade in financial instruments issued by Retail Estates. The Dealing Code was harmonised with the applicable laws and regulations (in particular Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, the Belgian Act of 2 August 2002 on the supervision of the financial sector and on financial services and the Corporate Governance Code. The Company's Dealing Code constitutes an integral part of this Charter and can be consulted (see Appendix 1) on the Company website.

The Dealing Code among others concerns the disclosure of information relevant to such transactions and stipulates among others:

- restrictions on the execution of transactions in financial instruments of the Company during specific periods before publication of the financial results ("closed periods") or during any other period considered sensitive ("prohibited periods");

- the appointment of a compliance officer to oversee compliance with the Dealing Code by directors and other designated persons;
- prior notification to the compliance officer by the designated persons of each transaction in financial instruments of the Company; and
- the disclosure of each transaction by the designated persons.

### **7.3.2 Internal procedure for reporting infringements – Whistleblower Policy**

In accordance with Article 69<sup>ter</sup> of the Belgian Act of 2 August 2002 (implementing among others Article 32, third paragraph of the Market Abuse Regulation), the Company has foreseen an internal procedure for reporting actual or potential infringements of among others the market abuse rules as laid down in the Market Abuse Regulation, the Belgian Act of 2 August 2002 and the Dealing Code (the “**Whistleblower Policy**”). The Whistleblower Policy is attached as appendix A to the Dealing Code (see Appendix 1) and is thus also an integral part of this Charter; it can also be consulted (separately) on the Company’s website.

### **7.3.3 Conflicts of interest and incompatibility of mandates**

Concerning the settlement of conflicts of interest, Retail Estates is subject to legal rules (Articles 523 and 524 of the Belgian Companies Code and Articles 36 through 38 the REIT Act) as well as to the rules contained in its articles of association and in this Charter.

In accordance with the provisions of the REIT legislation, the board of directors ensures that the Company gives priority to the interests of the Company.

Each director, member of the management committee and effective leader manages his or her personal and business interests in such a way as to minimise the occurrence of direct or indirect conflicts of interests and such that they are not involved in the decision-making process in the event of a conflict of interest in accordance with the applicable legal rules.

However, if this is the case, the relevant director or member concerned will inform the Chair, or the chair of the management committee (CEO), thereof, after which the Chair will take the necessary steps and, if required by law, the applicable provisions of the Belgian Companies Code and/or the REIT legislation in this regard will apply.

Transactions between the Company and its directors or members of the management committee must be in accordance with the usual market conditions.

In accordance with Article 14 of the articles of association, directors, the persons entrusted with the day-to-day management of the Company may not act as counterparty in transactions with the Company or a subsidiary, nor benefit from transactions with the aforesaid companies except when the transaction is made in the interests of the Company, within the business strategy and in accordance with normal market conditions.

If applicable, the Company must first inform the Financial Services and Markets Authority (FSMA).

The aforementioned transactions, as well as the information in prior communications, are explained in the annual report and, if applicable, in the half-yearly report.

The above provisions do not apply to operations outside the scope of the conflict of interest procedure provided for by the REIT legislation.

In view of the Company's activities, and in particular the fact that the negotiation and conclusion of certain agreements belong to day-to-day management and the powers of the CEO, without intervention of the board of directors or the management committee being required in principle, the following transactions between the Company and its non-executive directors (and their associated persons) are not covered by the conflict of interests' arrangement:

- Lease agreements concerning commercial retail matters involving a non-executive director;
- Insurance and finance agreements relating to tangible non-current assets.

#### **7.3.4 Non-corruption**

Retail Estates strongly emphasises the principles of honesty and integrity, and expects a similar attitude on the part of the third parties with which it does business.

#### **7.3.5 Professional secrecy**

It is expressly forbidden for members of the organs of the Company and for personnel to use or reveal confidential information for improper purposes during the course of their duties.

#### **7.3.6 Political activities**

In pursuing legitimate commercial objectives, Retail Estates acts in a socially responsible manner according to the laws of the country in which it is active.

### **7.4 Independent supervisory functions**

#### **7.4.1 Risk management function**

Measures and procedures are in place to identify and monitor the risks that the Company faces, to avoid these risks, and/or to minimize their impact (if any) and assess, control and monitor their consequences. This is the task of the risk manager.

Since a large number of risks are legal in nature – in the opinion of the board of directors, the main risks are located in the acquisition activities rather than in portfolio management –, Ms. Lore Leo, legal counsel (member of the M&A team) is appointed as risk manager, in which she will consult with the compliance officer in such matters;

The risk manager is appointed for a term of 3 years and has the required professional integrity and appropriate expertise.

#### **7.4.2 Independent compliance function**

The board of directors has appointed Mr. Paul Borghgraef, Chair of the board of directors, as compliance officer. He is responsible in particular for compliance with the integrity policy as described above.

The term of Paul Borghgraef's mandate as compliance officer is the same as for his board mandate (which expires at the 2021 annual shareholders' meeting).

#### **7.4.3 Independent internal audit function**

The person in charge of the internal audit is responsible for the independent and ongoing assessment of the activities of the Company, and analyses the quality and efficiency of existing procedures and methods of internal control.

The internal auditor will present his findings yearly.

The internal audit function is performed by an external consultant, in this case the cooperative limited liability company ("*coöperatieve vennootschap met beperkte aansprakelijkheid*", abbreviated into "*CVBA*") VMB, represented by Mr. Luc Martens. The internal audit function (which was thus outsourced to an external internal auditor/legal entity represented by a natural person) is exercised under the supervision and responsibility of the Company's finance and reporting analyst, Mr. Giovanni Ronsse. He has the required professional integrity and appropriate expertise.

#### **7.5 Internal control functions within Retail Warehousing Invest**

In accordance with Article 17, §2 of the REIT Act, internal control within the Company also concerns its subsidiary with the status of institutional REIT, Retail Warehousing Invest NV.