

# **REMUNERATION POLICY**

**17.05.21**

**CORESTATE Capital Holding S.A.**

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## **1. INTRODUCTION**

### **1.1 Purpose of the Remuneration Policy**

CORESTATE Capital Holding S.A. (the **Company**) has developed this remuneration policy (the **Remuneration Policy**) in accordance with the requirements of Directive EU 2017/828 of 17 May 2017 (the **Shareholders Directive**), as implemented under Luxembourg law by the law of 1st August 2019 (the **Law**).

The aim of the Remuneration Policy is to ensure that the remuneration practices of the Company are compliant with the Law and are consistent with the business strategies, objectives, values, long-term interests and sustainability of the Company.

This Remuneration Policy also follows the guidelines and requirements of the group remuneration policy (as taken over in this document), which sets out the general framework for compensation practices and principles within CORESTATE Capital Group.

### **1.2 Scope of application**

This Remuneration Policy applies to the directors of the Company, irrespective of the nature of their contractual relationship with the Company. It shall not be construed as giving rise to an employment relationship where a specific employment contract has not been concluded nor to contractual rights to the remuneration described herein.

Pursuant to the Law, “directors” is to be understood as any member of the administrative, management and supervisory bodies of the Company, including the chief executive officer and the deputy chief executive officer. The relevant bodies in the Company are the Management Board and the Supervisory Board. The members of said bodies are therefore subject to this Remuneration Policy.

## **2. GOVERNANCE OF REMUNERATION**

### **2.1 Role of the Supervisory Board**

In order to avoid the risk of conflicts of interests, the members of the Management Board do not intervene in the design, implementation, review and approval (except for proposing that the general meeting of shareholders approves the Remuneration Policy on a nonbinding basis) of the Remuneration Policy nor in the determination of their remuneration.

(a) Policy design, implementation, review and approval

The Supervisory Board of the Company is responsible for:

- ✓ the design and the adoption of the Remuneration Policy;
- ✓ the review, the implementation and the sustainability of the Remuneration Policy;
- ✓ making adjustments and changes to the Remuneration Policy with the assistance of the Legal department;
- ✓ the approval of the Remuneration Policy.

The Group Head of Legal is responsible for the preparation and the updating of the Remuneration Policy in application of the Supervisory Board's directives.

The Supervisory Board annually reviews the Remuneration Policy and ensures its proper implementation. Particular attention is paid to whether the remuneration system as a whole functions strategically and operationally and develops the necessary control effect and whether applicable laws and processes are complied with.

(b) Determination of the remuneration of the members of the Management Board

The Supervisory Board also decides on the remuneration package of the members of the Management Board, including the potential establishment of stock option plans.

### **2.2 Role of the Shareholders**

(a) Determination of the remuneration of the Supervisory Board members

The remuneration of the Supervisory Board members is decided at the shareholders annual general meeting.

(b) Advisory vote on the Remuneration Policy

The Remuneration Policy will be submitted to the Company's shareholders advisory vote every four years and in any case every time a significant modification is made. Significant changes will be summarised in a specific section of the Remuneration Policy, including how it takes into account shareholders' views and votes since the latest vote by the general meeting of shareholders.

### **2.3 Derogations from the Remuneration Policy**

Derogations from the Remuneration Policy will be considered only to the extent it is necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability. Derogations would only be in relation to the compensation package of the members of the

Management Board and could for instance result in a higher ratio between the variable and the fixed components of the remuneration.

Derogations must be approved by the Supervisory Board.

### **3. REMUNERATION**

#### **3.1 Principles of remuneration**

The central element of the Remuneration Policy is the uniform alignment of the remuneration system with the strategic and operative corporate objectives of the Company and the CORESTATE Capital Group. The remuneration philosophy is the promotion of a well governed approach to remuneration, promoting the alignment of the interests of the Company and its management with the interests of the shareholders.

The Remuneration Policy also serves to attract applicants to the Company and to motivate, develop and retain staff. In addition, compliance with all legal requirements is an important part of the Remuneration Policy. The objective of the Remuneration Policy is therefore to find an appropriate balance between these objectives and requirements to ensure a sustainable remuneration system.

In establishing the Remuneration Policy, the Company pays a particular attention to its social responsibility, ensuring that the remuneration of the directors is not determined at the expense of the other staff members of the Company. The Company values its entire workforce and ensures that its general remuneration practices are aligned with market conditions, competitive and attract talent at all levels. Performance-related remuneration comes therefore on top of attractive base salaries for all deserving staff members.

It will therefore be ensured on an on-going basis that the Company's Remuneration Policy and practices:

- ✓ are transparent and comprehensible;
- ✓ contain measures to avoid conflicts of interest;
- ✓ are compatible with sound and effective risk management;
- ✓ do not encourage the assumption of risks that are incompatible with the risk profile of the Company;
- ✓ are designed to avoid incentives for disproportionate risk-taking;
- ✓ exclude the granting of guaranteed variable remuneration, including golden parachutes;
- ✓ secure the economic performance and profitability of the Company and the CORESTATE Capital Group in the long-term;
- ✓ are socially responsible.

#### **3.2 Remuneration components of the members of the Supervisory Board**

Due to their supervisory role, in a view to avoid conflicts of interests, the members of the Supervisory Board do not receive performance-related remuneration.

The remuneration package of the Supervisory Board members is therefore only composed of fixed remuneration, divided between a base salary and attendance fees, in line with market conditions. In

addition, fringe benefits such as reimbursement of travel expenses, health insurance, D&O insurance and other professional liability insurances might be granted.

The base salary is determined taking into account the value of the role, the functions exercised, the skills, qualifications and experience of the member of the Supervisory Board.

### **3.3 Remuneration components of the members of the Management Board**

#### **(a) Principles**

The remuneration package of the members of the Management Board is composed of fixed remuneration components and, in principle, of variable remuneration components. Each remuneration component is either part of the fixed remuneration or of the variable remuneration.

#### **(b) Fixed remuneration**

The fixed remuneration is mainly composed of the annual base salary as well as fringe benefits.

##### **(i) Base salary**

The annual base salary is based on the value of the job, the functions exercised as well as the Management Board member's skills, qualifications and experience. The annual base salary is determined according to market conditions and represents a sufficiently high proportion of the total remuneration so as to ensure that the members of the Management Board are not dependent on variable remuneration. The basic annual salary is paid in twelve equal monthly instalments.

The levels of the annual base salaries are reviewed regularly, taking into account the economic situation of the Company/CORESTATE Capital Group, to assess if they are still appropriate in view of the functions and value of the role and in line with market conditions. They are adjusted accordingly if necessary.

##### **(ii) Fringe benefits**

In addition to the annual base salary, the Management Board members' fixed remuneration can also be composed of the following fringe benefits: company car or company car/allowances or other type of transportation allowances (e.g. free rail tickets), relocation allowance, housing allowance, education/training allowance, reimbursement of children school fees, tax-free benefits, travel allowances/reimbursement of travel expenses, tax advice allowance, life insurance(s), standard pension benefits and health/complementary pension plan(s), nursing care, insurance(s). The Company also provides D&O and E&O insurance(s) as well as a criminal legal expenses insurance(s) covering the Management Board members for defense in criminal and administrative offence proceedings if the Management Board members have committed an act or omission in the performance of their duties for the CORESTATE Capital Group.

#### **(c) Variable remuneration**

##### **(i) Overview**

In principle, the total remuneration can also include variable remuneration components such as cash bonuses and long-term incentive plans. Such variable remuneration is performance-related and is intended to motivate Management Board members to achieve ambitious and challenging financial, operational and strategic goals during one or more financial years. Individual targets are agreed on a yearly basis with each Management Board member. The remuneration system contains a performance

review and an analysis of the adequacy of the payment is carried out before payment of variable remuneration, as described under section 4.1. Malus and claw-back clauses may be foreseen.

The Company may also award exceptional variable remuneration components, such as welcome bonuses, buy out bonuses and retention bonuses.

Termination-related payments may also be granted under certain circumstances but would be limited to payments under non-competition clauses and settlements in case of disputes. Golden parachutes are not part of the Company's Remuneration Policy.

Except where deferral and retention mechanisms apply, the variable remuneration is generally paid out per fiscal year in the second quarter of the following year. This also applies to payments to Management Board members who left the Company in the course of the previous year (the year in which the bonus was calculated). The total remuneration is paid out in full in cashless payment transactions to the Management Board members' communicated bank account.

(ii) Target bonus

Management Board members may be entitled to annual target bonuses. These bonuses are paid cash upon satisfaction of the performance conditions linked to their awards. As further detailed under section 4. below, target bonuses are based on Company and individual performance. Individual performance is assessed based on qualitative and quantitative performance criteria. A value for target achievement of 100% is generally defined, with potential downward and upward deviations.

(iii) Long-term incentive

The variable remuneration of Management Board members is also composed of long-term incentives, either in the form of shares, share options or cash settlements dependent on the development of the Company's share price.

The long-term incentive is subject to a deferred vesting schedule as well as to a retention mechanism on vested portions to ensure alignment between Management Board members' remuneration and shareholders' interests. The duration of the deferral period generally is between 12 months and 3 years while the retention period generally ranges from 12 months up to 4 years, in line with market practice. The aforementioned durations have been determined to appropriately align the remuneration of Management Board members with the Company's activities and the shareholders' and its own long-term interests. The 12-month retention period starts to run as of the vesting of the remuneration, to ensure that the Management Board members' performance continues to be aligned with the Company's and shareholders' long-term interests beyond the end of the deferral period. Indeed, the Management Board members support during the retention period the risk of fluctuation in value of the instruments.

(iv) Welcome and buy-out bonuses

Welcome bonuses, the purpose of which is to attract talent to the Company, is the only form of guaranteed variable remuneration that may be granted to Management Board members. They can be awarded either in cash or in instruments.

Buy-out bonuses, the purpose of which is to buy out bonuses forfeited by the Management Board member due to the move from the former employer to the Company, may also be awarded, either in cash or in instruments.

(v) Retention bonuses

Retention bonuses are not part of contractual arrangements, except under exceptional circumstances and with a view to retain a member of the Management Board. Exceptional circumstances would typically include restructurings. If the Supervisory Board considers such bonuses necessary, they will be included in an addendum to the service contracts in place and will provide for the conditions for their award and payment.

(vi) Termination-related payments

The Company does not have recourse to golden parachutes, as such guaranteed payment linked to a contract termination is unsound. The Company may however agree on settlement packages to terminate potential litigious claims, in line with market practice. Payments as consideration for a non-compete undertakings may also be agreed on with the members of the Management Board.

### **3.4 Proportion of variable to fixed remuneration**

The ratio between the variable and the fixed remuneration generally ranges between 1/1 (excluding LTI) and 4/1 (including LTI). LTI are accounted for in the ratio at the time of award, in line with market practice.

### **3.5 Ex-post adjustments of variable remuneration**

Variable remuneration may be subject to malus and/or claw-back arrangements. Malus is the possibility to reduce/withhold variable remuneration that has been granted but has not yet been paid. Claw-back is the possibility to reclaim all or part of the variable remuneration that has already been paid.

Malus and/or claw-back may notably, but not exclusively, be possible in circumstances such as:

- Termination of the Management Board member's contractual agreement(s) for good cause / gross misconduct;
- Serious misbehaviour / error by the Management Board member (e.g. breach of legal obligations, contractual provisions, internal company guidelines, etc.);
- Participation by the Management Board member in any action or omission that resulted in significant losses for the Company and/or the CORESTATE Capital Group;
- Participation by the Management Board member in any fraud exposing the Company and/or the CORESTATE Capital Group to significant financial and/or reputational harm;
- Participation by the Management Board member in any action or omission that resulted in a significant downturn of the Company's and/or the CORESTATE Capital Group's financial performance; etc.

## **4. PERFORMANCE**

### **4.1 Performance principles**

Variable remuneration is based on individual and Company performance and is only awarded and paid out provided that the financial situation of the Company is sound.

Indeed, the total amount of the variable remuneration is always reviewed with regard to the following criteria prior to payment:

- ✓ Adequacy to the economic situation and liquidity of the Company;



- ✓ Achievement of the financial objectives defined in the budget;
- ✓ Achievement of the set personal goals;
- ✓ Adherence to compliance requirements.

If performance criteria are not met, the variable remuneration will be reduced in part or in whole.

The amount of variable remuneration is determined by the achievement of the Company's targets as well as the performance and achievement of the Management Board members' targets within, usually, one fiscal year.

## **4.2 Targets, performance criteria and link between pay and performance**

The variable remuneration of a Management Board member is thus generally measured on the basis of "overall target achievement", as assessed on an annual basis by the Supervisory Board through the holding of a specific performance meeting with each member of the Management Board. Different bonus target levels can be included in the overall target achievement:

- ✓ Corporate goals;
- ✓ Personal goals;
- ✓ Compliance goals.

Such goals are included in the Management Board members' contractual agreements and/or when defining individual goals with the Supervisory Board.

With regard to the tasks and responsibilities of the respective Management Board members, an appropriate mix of quantitative and qualitative goals is set.

The quantitative criteria typically taken into account relate to the earnings targets (pursuant to the business plan of CORESTATE Capital Group as drawn up annually by the Company's Management Board and approved by the Company's Supervisory Board) as well as the development of the share price of the Company or a share-price based component. Individual performance is also taken into account and is assessed based on quantitative and qualitative criteria, at the discretion of the Supervisory Board. As stated above, qualitative criteria include compliance goals but also leadership, team management skills, wider contribution to the Company, etc. In principle, earnings targets, share price and individual performance each account for one third.

For all targets, a value for target achievement of 100% is generally defined and a corridor for downward and upward deviation can be defined.

The maximum achievable amount of variable remuneration for the respective financial year is determined by the average target achievement and the target amount of variable remuneration defined in the Management Board members' contractual agreements (assuming 100% target achievement). Overachievement of the targets is regulated in the Management Board members' contractual agreements and generally possible; overachievement can therefore lead to a variable remuneration that can be greater than 100% of the defined variable amount according to the contractual agreements.

## **5. CONTRACTUAL ARRANGEMENTS**

The duration of the Management Board members' service contracts usually ranges between 3 to 4 years, renewable. As the contracts are concluded for a fixed term, they can in principle not be terminated earlier; the right to give extraordinary notice for cause remains however unaffected.

## **6. PUBLICATION**

The Remuneration Policy, together with the date and the results of the shareholders' advisory vote on said Policy will be published on the Company's website for so long as it remains applicable.

## ANNEX 1 – REVISION OF REMUNERATION POLICY IN VIEW OF 2021 AGM

In accordance with article 7ter of the Law, the Company would like to call its shareholders' attention to the modifications made to the Remuneration Policy following the shareholders' advisory vote on the document at the 2020 AGM.

The Remuneration Policy has been revised together with the assistance of the Company's legal advisor (Allen & Overy Luxembourg and Germany).

The purpose of the revision is to enhance transparency in relation to the remuneration of the members of the Company's Management and Supervisory Boards. In that context, it has been decided to extend the list of fringe benefits that *might* at some point be awarded to the Supervisory/Management Board members, in line with market practice.

Awarding these fringe benefits may be key in attracting highly skilled and competent profiles in the Company, as the Company must be in a position to offer competitive packages compared to former employers/other market players.

The ratio between variable and fixed remuneration (excluding LTI) has been reduced from 2/1 to 1/1 in view of taking a more prudent and sound approach.

Deferral and retention periods have been amended to reflect the conditions of the LTI plans.

The possibility to apply malus and claw-back on the variable remuneration has been inserted since those mechanisms are a sound way to protect the Company's interests and are, to some extent, included in the Management Board members' service agreements. The relevant sections of the Remuneration Policy (section 3.2, section 3.3 (b) (ii) and section 3.4) have therefore been modified and a new section 3.5 has been added as follows:

<b>Supervisory Board members</b>	<b>Management board members</b>
Addition of reimbursement of travel expenses, health insurance, D&O insurance and other professional liability insurances.	Addition of other type (than company car/car allowance) of transportation allowances (e.g. free rail tickets), relocation allowance, housing allowance, education/training allowance, reimbursement of children school fees, tax advice allowance, complementary pension plan.  Replacement of "non-occupation accident and disability insurances" by "insurances".
	Reduction of ratio between the variable and the fixed remuneration (excluding LTI) from 2/1 to 1/1.
	Modification of the deferral and retention periods to reflect the conditions of LTI plans.
	Introduction of the possibility to adjust variable remuneration through the mechanisms of malus and claw-back.

The aforementioned changes have been approved by the Supervisory Board on 17 May 2021.