

## ECE European Prime Shopping Centre Funds




### 12.1. Remuneration - Policy

#### Submitter

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#### Contents

1.	Definitions .....	2
2.	Process Overview .....	2
2.1	Purpose.....	2
2.2	Definition .....	5
2.3.	General principles.....	5
2.4.	Proportionality principle.....	6
2.5.	Staff identification .....	7
3.	Main Function of the Different Bodies of the Company involved in the Remuneration Process .....	9
3.1.	The Shareholders .....	9
3.2.	The Board .....	9
3.3.	Human Resources.....	10
3.4.	The Senior Management .....	11
3.5.	The Internal control functions.....	12
3.6.	Potential risk takers .....	13
4.	Salaries of Employees.....	14
4.1.	Fixed annual salary.....	14
4.2.	Variable remuneration .....	14
4.3.	Objectives as management, planning and control tools.....	16
5.	Remuneration Principles .....	19
6.	Review and Implementation of the Policy .....	22
7.	Measure in case of delegation of portfolio management or risk management activities .....	24
8.	Disclosure .....	24
	Appendix 1: Identified Staff.....	25

<b>ECE European Prime Shopping Centre Funds</b>	
<b>13. Remuneration</b>	
<b>13.1. Remuneration - Policy</b>	

## 1. Definitions


<b>AIFM Law</b>	The Law of 12 July 2013 on alternative investment fund manager, as amended.
<b>Board</b>	The board of managers of the Company.
<b>Company or AIFM</b>	ECE Real Estate Partners S.à r.l.
<b>DPM</b>	The discretionary portfolio management mandates managed by the Company.
<b>ESMA Guidelines</b>	The ESMA guidelines on sound remuneration policies under the AIFMD (ESMA 2013/232) as amended.
<b>Fund(s)</b>	The funds managed by the Company as listed under Appendix 1.
<b>Group</b>	ECE Group and its affiliates.
<b>Identified Staff</b>	The members of the different categories of staff listed under section 6 of the Policy.
<b>Instruments</b>	The units or shares of the Funds.
<b>Investor</b>	The investors in the Funds or clients having entrusted the Company with a discretionary portfolio management mandate.
<b>Policy</b>	ECE Real Estate Partners S.à r.l.'s remuneration policy.
<b>Rest of the Identified Staff</b>	The Identified Staff other than the Board members, the Senior Management members and the persons heading the control functions.
<b>Senior Management</b>	The persons in charge of the day-to-day management of the Company (i.e. the conducting officers of the Company).
<b>Shareholders</b>	The Shareholders of the Company.
<b>Welcome Bonus</b>	Means exceptional variable remuneration (for the first year of employment) in the context of hiring a highly qualified new staff.

## 2. Process Overview

### 2.1 Purpose

The Policy purports to fulfil the requirements of:

- European Commission Delegated Regulation (EU) 231/2013 of December 19, 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (the “**Delegated Regulation**”);


<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

- Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (the “**MiFID Directive**”);
- European Securities and Markets Authority’s Guidelines ESMA/2013/606 of October 1, 2013 on Remuneration policies and practices (**MiFID**);
- European Securities and Markets Authority’s Guidelines ESMA/2016/411 of March 31, 2016 on sound remuneration policies under the UCITS Directive and AIFM Directive (the “ESMA Guidelines”);
- The Law of 5 April 1993 on the financial sector, as amended (the “LFS”);
- Law of 12 July 2013 on Alternative Investment Fund Managers, transposing Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (the “12 July 2013 Law”).
- CSSF Circular 10/437 related to the guidelines concerning the remuneration policies in the financial sector (the “CSSF Circular 10/437”);
- CSSF Circular 18/698 of August 23, 2018 regarding the Authorisation and organisation of investment fund managers incorporated under Luxembourg law, and containing Specific provisions on the fight against money laundering and terrorist financing applicable to investment fund managers and entities carrying out the activity of registrar agent (the “CSSF 18/698 Circular”);
- Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector.

In light of the similarities between the collective investment management activity and the discretionary portfolio management services provided by the Company, as well as the limited volume of the portfolios managed on a discretionary, client-by-client basis compared to the Company’s total assets under management, the remuneration principles governing the Company in its quality of investment fund manager, which are the most effective rules for achieving the outcomes of discouraging inappropriate risk taking and aligning the interest of the Company’s staff with those of the Investors, shall also apply in respect to the Company when managing portfolios managed on a discretionary, client-by-client basis or providing other ancillary services in accordance with article 5(4) of the AIFM Law.

The Policy has been approved by the Senior Management and by the Board on the dates specified above.


The Policy is consistent with and promotes sound and effective risk management, including sustainability risk, through measures that do not induce excessive risk taking. Additionally, the purpose of the Policy is to ensure that the remuneration practices and procedures are aligned with Investors protection and that the total variable remuneration, which the Company might pay out,

<b>ECE European Prime Shopping Centre Funds</b>	
<b>13. Remuneration</b>	
<b>13.1. Remuneration - Policy</b>	

will not undermine the Company's ability to achieve and maintain a sound capital base.

With due regard to the above, the objective of this Policy is also to attract, retain, develop and reward the employees who contribute to the value creation of the Company and/or the Group and thereby support its performance-oriented culture.

The Policy is in line with the business strategy, the objective, the value and the interests of the Company and of the Funds as well as of the Investors and includes appropriate measures to avoid conflicts of interest.

<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

## 2.2 Definition

For the purposes of this Policy, remuneration consists of:

- All forms of payments or benefits made by the Company;
- Any amount paid by a Fund itself, including performance fees; and
- Any transfer of units or shares of a Fund,

in exchange for professional services rendered by the Company's Identified Staff.

Remuneration can be divided into:

- Fixed remuneration (payments or benefits without consideration of any performance criteria); and
- Variable remuneration (additional payments or benefits depending on performance or, in certain cases, other contractual criteria).

Both components of remuneration (fixed and variable) may include:

- Monetary payments or benefits (such as cash, shares, options, cancellation of loans to staff members at dismissal, pension contributions);
- Non (directly) monetary (such as discounts, fringe benefits or special allowance for car, mobile phone, etc.).


Some funds managed by the Company, could also include carried interests. In line with Article 1 of the AIFM Law, carried interest is “a share in the profits of the AIF accrued to the AIFM as compensation for the management of the AIF and excluding any share in the profits of the AIF accrued to the AIFM as a return on any investment by the AIFM into the AIF”.

This Policy applies to all staff of the Company to the extent they qualify as Identified Staff.

## 2.3. General principles

The AIFM Remuneration Policy is based on the following general principles:

- Alignment with the business strategy, the goals, the values, the long-term objectives and

<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

interests of the AIFM. Therefore, performance management is applied on a multi-year framework;

- Provide for an appropriate balance between fix and variable remuneration elements;
- Sets caps on variable amounts;
- Payment of variable remuneration is voluntary. The AIFM reserves the right to postpone payment of variable remuneration in part or completely if the situation deteriorates markedly and in particular if it can no longer be assumed that its continuation can be assured immediately or in the future;
- Provide for reimbursement (claw back) of bonuses, later on, to have been based on fraudulent data or non-accomplished performances. This can occur if:
  - Internal regulations have been breached;
  - Economic performance is negative;
  - There is a failure of risk management.
- Prevent conflicts of interest, specifically regarding the ability of the AIFM to have sound risk management and investors protection principles in place;
- Ensure that contractual severance payment for prematurely ended contracts reward effective performances rather than failures;
- Ensure that staff engaged in financial and risk control functions are compensated in a manner that is independent of the responsibilities they oversee and commensurate their role in the AIFM;
- Prohibit the use of vehicles or methods which aim at artificially evading the remuneration regulations.


This Remuneration Policy is laid down so that the solid and effective risk management of the AIFM

can be taken into account and no incentives are given for undue risk-taking.

#### **2.4. Proportionality principle**

The Company shall comply with the AIFM Law requirements as well as the ESMA Guidelines in a way and to the extent that is appropriate to its size, its internal organization, the nature, and the scope and the complexity of its activities.

The Company has assessed its own characteristics and developed its own Policy which appropriately aligns the risks faced and provide adequate and effective incentives to its staff.

<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

Based on this assessment, the Company decided (i) not to apply the proportionality principle at the level of the Company due to, among others, the size and internal organization of the Company (ii) but to invoke on a case-by-case basis with respect to the members of the different categories of staff whose professional activities may have an impact on the risk profile of the Company (i.e. the Identified Staff), the proportionality principle.

The Board is responsible to determine when the proportionality principle applies to a member of the Identified Staff other than the Board members based on recommendations made by the Human Resources. The Shareholders will determine when the proportionality principle applies to a Board member based on recommendations made by the Human Resources.

Please refer to Appendix 1 for a description of the Identified Staff for which the proportionality principle applies.


By application of the proportionality principle to a member of the Identified Staff, exemption is enforced with regard to, among others:

- The payment of variable remuneration component in Instruments;
- Retention periods;
- Deferral requirements;
- Ex-post incorporation of risk for variable remuneration.

When the variable remuneration of a member of the Identified Staff is less than a certain threshold, the Board may decide not to apply the remuneration principles. When deciding whether the proportionality principle shall apply to a member of the Identified Staff, the Board shall take into account criteria such as but not limited to the amount of the variable remuneration and the influence the member of the Identified Staff has on the management company's risk profile or on the portfolio managed.

## **2.5. Staff identification**

In accordance with Paragraph 6 of Annex II of the ESMA Guidelines 2016/411, the AIFM has performed its assessment of the persons which it finds as having material impact on its risk profile or the risk profiles of the AIF that it manages. These members of staff are referred to as the "Identified Staff".

<b>ECE European Prime Shopping Centre Funds</b>	
<b>13. Remuneration</b>	
<b>13.1. Remuneration - Policy</b>	


The AIFM has applied the principle of proportionality in its assessment and has taken into consideration the following elements, where relevant:

- The size of the obligations into which a risk taker may enter on behalf of the AIFM;
- The size of the group of persons, who have only collectively a material impact on the risk profile of the AIFM;
- The structure of the remuneration of the staff members (e.g. fixed salary with a variable remuneration), in particular, the amount of variable remuneration perceived and the percentage of variable remuneration over the fixed remuneration.

The list of Identified Staff includes:

- Executive and non-executive members of the Board of the AIFM,
- Senior management also called Conducting Officers;
- Persons in charge of the control functions:(the head of the Risk Management function, the head of Compliance function and the head of Internal Audit);
- Staff responsible for heading the portfolio management, administration, marketing, human resources departments;
- Other risk takers such as: staff members, whose professional activities – either individually or collectively, as members of a group (e.g. a unit or part of a department) – can exert material influence on the AIFM’s risk profile or on an AIF it manages, including persons capable of entering into contracts/positions and taking decisions that materially affect the risk positions of the AIFM or of an AIF it manages. Such staff can include, for instance, salespersons, individual traders and specific trading desks;
- Other employee/persons who have a material impact on the risk profile of the AIFM or of the Funds it manages and whose total remuneration takes them into the same remuneration bracket as Senior Managers and risk-takers.



<b>ECE European Prime Shopping Centre Funds</b>	
<b>13. Remuneration</b>	
<b>13.1. Remuneration - Policy</b>	

### 3. Main Function of the Different Bodies of the Company involved in the Remuneration Process

#### 3.1. The Shareholders

The Shareholders will fix the remuneration of the members of the Board. The Shareholders may decide to allocate a global envelope to the Board rather than allocating a fix sum to each Board member. In such case, the envelope will be allocated between the Board members by the Board itself.

#### 3.2. The Board

Remuneration of members of the executive board are set by resolution of the sole shareholder at the suggestion of its chairman.


The members of the executive board are to be regarded as risk takers within the meaning of the CSSF remuneration guidelines.

The remuneration of the board of managers not involved in the day to day operation of the AIFM shall not be linked to the AIFM's short-term results but shall instead be based on other factors such as the time spent performing the function and the level of responsibility.

Agreements on objectives for members of the executive board are concluded with the shareholders. Economic, individual and group objectives can be agreed. The starting point for agreements on objectives is the plan approved by the Board each December for the following year.

When agreeing the objectives, care is taken to ensure that no undue risk-taking is demanded. These risks include sustainability risk factors, which can be quantitative or qualitative and reflect relevant environmental, social and governance aspects, as well as principal adverse impacts. The individual objectives agreed with members of the Board are weighted against each other and may contain additional objectives in the respective area of responsibility.

The Board will have the prerogative to assess and fix the remuneration of the Senior Management and of the persons heading the control functions (i.e. compliance officer, risk manager and internal auditor). This will be decided based on the Human Resources suggestion.

<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

The Board is also responsible to fix the global envelope for the variable remuneration component of the Rest of the Identified Staff. This envelope will be allocated between the Rest of the Identified Staff by the Senior Management.

### **3.3. Human Resources**

The Human Resources are responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the Company, or the Funds/Discretionary Portfolio Management concerned and which are to be taken by the management body in its supervisory function. The Human Resources shall take into account the long-term interest of Investors and the public interest.

Given the scope, nature and complexity of the activities of the Company and the internal organisation of the Company as well as the integration of the Company within the Group, the Board and the Senior Management consider that no remuneration committee is needed to be set up within the Company.


In principle, the Human Resources benefits from a position in the Group which enables this function to have an independent judgment on remuneration policies, practices and the incentives created for managing risk.

Human Resources does not perform executive functions and is independent from operational unit.

Human Resources has sufficient expertise and professional experience concerning risk management and control activities, namely with regard to the mechanism for aligning the remuneration structure to the Company's risk and capital profiles.

This function may seek expert advice internally (e.g. from risk management) and externally. His remuneration is aligned with remuneration rules equivalent to the principles defined in this policy which permits to avoid conflict of interest.

Human Resources is in charge of the following points / tasks:

<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

- Be responsible for the preparation of recommendations as further detailed in this Policy;
- Provide its support and advice on the design of the Policy;
- Have access to advice, internal and external, that is independent of advice provided by or to the Senior Management;
- Review the appointment of external remuneration consultants that the Board may decide to engage for advice or support;
- Support the shareholders, the Board and the Senior Management in overseeing the remuneration system’s design and operation;
- Approve the variable remuneration of the Rest of the Identified Staff which is determined by the Senior Management;
- Devote specific attention to the assessment of the mechanisms adopted to ensure that:
  - The remuneration system properly takes into account all types of risks and liquidity and assets under management levels; and
  - The overall Policy is consistent with the business strategy, objectives, values and interests of the Company and the Funds/Discretionary Portfolio Management it manages and the Investors; and
- Formally review a number of possible scenarios to test how the remuneration system will react to future external and internal events, and back test it as well.


As part of the performance of its tasks, the Human Resources will in particular:

- Have unfettered access to all data and information concerning the decision-making process on the remuneration system’s design and implementation;
- Have unfettered access to all information and data from risk management and control functions, to the extent such access will not hinder the Company’s ordinary activities;
- Ensure the proper involvement of the internal control and other competent functions (e.g. human resources and strategic planning). The Human Resources will collaborate with other board committees whose activities may have an impact on the design and proper functioning of this Policy and practices deriving therefrom (e.g. risk audit, and nomination committees); and
- Provide adequate information to the Senior Management and the Board, and, where appropriate, to the Company’s shareholders’ meeting about the activities performed.

### **3.4. The Senior Management**

The Senior Management will have the responsibility to assess and fix the remuneration of the Rest of the Identified Staff.

The Senior Management will hold, on an annual basis, a meeting to assess the performance of each member of the Rest of the Identified Staff during the year and to define the parameters of

<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

evaluation for the following year. At the occasion of this meeting, they also fix quantitative and qualitative objectives to the staff. They will do this with the support of the Human Resources who will review the conclusions. Depending on the outcome of the assessment and on the performance of the Company, the Senior Management will determine the variable component of the remuneration, the quantum of which will be validated together with the Human Resources.

Quantitative objectives defined as:

- Company earnings or earnings of a specific unit;
- Efficiency/cost saving;
- Long term profitability;
- Adequate performance;

Qualitative objectives defined as:

- Compliance; value and ethics follow up;
- Team Work/leadership;
- Customer satisfaction;
- Learning attitude;
- Risk governance, including sustainability risk.

The objectives are weighted as following:

- Quantitative: 25%
- Qualitative: 75%


### **3.5. The Internal control functions**

The risk management function will assess how the variable remuneration structure affects the risk profile of the Company. The risk manager will notably validate and assess the risk adjustment data and will attend relevant meetings of the Human Resources for this purpose.

The internal audit function will periodically carry out an independent audit of the design, implementation and effects of the Company's remuneration policies.

The remuneration of the conducting officers with control functions is independent of the areas they control. They are endowed with the necessary powers to perform their respective functions independently. Their remuneration, like that of all other employees with control functions, is not highly related to the economic success or risk-taking of the AIFM or the Funds, but primarily to


achieving their individual objectives, irrespective of the areas controlled or for which they

<b>ECE European Prime Shopping Centre Funds</b>	
<b>13. Remuneration</b>	
<b>13.1. Remuneration - Policy</b>	

are responsible.

### **3.6. Potential risk takers**

It may be the case that in certain executive market-oriented functions, risks that bind the AIFM or the Funds must be entered into. If these risks are run by the function holder, they generally have little influence if any on the risk profile of the AIFM or the Fund as a whole, due to the segregation of duties.

<b>ECE European Prime Shopping Centre Funds</b>	
<b>13. Remuneration</b>	
<b>13.1. Remuneration - Policy</b>	

## 4. Salaries of Employees

### 4.1. Fixed annual salary

The fixed annual salary resulting from the agreement in the individual contract reflects the grade of the function continuously exercised. It corresponds to the monthly salary x 12. The level of the fixed salary must be appropriate for the market and set so that the proportion of the variable remuneration does not exceed 50% of the total remuneration.

Changes to the fixed salary are made at the suggestion of the management based on the assessment of the individual's performance and sustained success, and changes in market conditions within the framework of the powers laid down for the AIFM to increase salaries.

### 4.2. Variable remuneration


Variable remuneration is a voluntary annual payment made by the AIFM. It recognizes the individual, team performance of a staff member and of the overall results of the AIFM for a particular financial year and does not carry any pension rights.

By virtue of proportionality, the employees' performance is appraised on the basis of the objectives agreed with the employee and the extent to which these have been reached.

The individual sums are based on the performance appraisal by the management. The appraisal depends on the extent to which the agreed objectives have been achieved, together with an assessment of compliance with the internal procedure of the AIFM. When agreeing the objectives, care is taken to ensure that no undue risk-taking is demanded.

The amount of the variable remuneration is set around a target corridor of 10 - 20% of the annual fixed salary actually received by the employee in the financial year in question (calendar year fixed salary) and should correspond to normal good performance or achievement of objectives.

The objectives must be set so that the employee can achieve 15 - 20% of variable remuneration if performance is good. The individual objectives set with the employee must be weighed against each other; the achievement of objectives must be determined and evaluated for each individual objective at the time of assessment, at the end of the financial year.

<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

Variable remuneration does not consist of deferral payment beyond one year, i.e. there is no contribution in kind in the form of equity, options or other funds.


The following are the criteria used by the AIFM to determine the variable remuneration of the Identified Staff:

Company's performance

When fixing the variable remuneration component of a member of the Identified Staff, the performance of the Company and of the relevant business unit and the forecast for the future performance shall be taken into account.

Additional criteria

- Seniority and professional experience:
  - Theoretical experience attained through education and training;
  - Practical experience gained in previous occupations;
  - Specific skills and technical knowledge: banking, fund (or discretionary portfolio) management, economic, finance, marketing, IT, accounting, regulatory, investment firm business strategy, risk management, compliance, audit, legal; and
  - Career criteria: length of the career, numbers of previous jobs, nature/type/complexity of the previous occupation, responsibilities, number of subordinates.
- Commitment and individual efforts;
  - The availability of the relevant staff member;
  - Ability to work with other members of the team as well as interact with other internal and external stakeholders; regular and active participation in departmental and inter-departmental meetings.
- Reputational criteria:
  - Criminal records, previous employers' reputation, potential regulatory sanctions, analysis of the administrative sanctions, current and past investigation, non-compliance breach declared by regulatory or professional bodies as well as potential refusal of authorisation by a supervisory authority or professional;
  - Any evidence that the member has not been transparent, open, and cooperative in his dealings with supervisory or regulatory authorities or with his hierarchy; and

<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

- The reasons for any dismissal from employment or any position of trust, fiduciary relationship, or similar situation, or having been asked to resign from employment in such a position.

The following situations regarding past and present business performance and financial soundness of a member with regard to their potential impact on the member's reputation should be considered:

- Inclusion on the list of unreliable debtors or any negative records on this kind of list conducted by a recognised credit bureau if available;
  - Declaration of personal bankruptcy; and
  - Civil lawsuits, administrative or criminal proceedings, large investments or exposures and loans taken out, insofar as they can have a significant impact on the financial soundness of the member.
- Long term profitability;
- The influence of the relevant staff member on the profits of the Company;
  - The influence of the relevant staff member on the profits of his/her business line or the Funds concerned; and
  - The relevant staff member's profitability.
- Achievement of the personal objectives set year on year.
- Each year the performance of the members of the identified staff will be assessed.


#### **4.3. Objectives as management, planning and control tools**

The factors determining assessment of performance-related remuneration must always be harmonized with the strategic business objectives and must not entail any inappropriate risk-taking. The agreement on objectives is therefore linked in terms of content and organization with the AIFM planning process.

##### **4.3.1 Agreements on objectives**

The desired results are set as objectives in the course of an annual negotiation between employees and management and recorded in writing. Alongside setting the variable remuneration, what results management expects should be made clear, and the employee can establish with management the support to be received in order to achieve the objectives and/or fulfil the tasks. These agreements on objectives should refer to quantitative and qualitative objectives which must be comprehensible, demanding and challenging yet also achievable. Under no circumstances should objectives be agreed that can only be reached by inappropriate risk-taking. These risks include sustainability risks factors, which can be quantitative or qualitative and reflect relevant environmental, social and governance aspects, as well as principal adverse impacts.



<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

Employees and management remain in close contact in the course of a year by means of regular meetings concerning the interim objectives already reached, objectives still to be achieved and the realisation of deliverables. Changing background conditions that are of major importance for achieving the objectives may result in the agreed objectives being modified.

#### **4.3.2 Determination of whether objectives are achieved**

The assessment of whether objectives are achieved takes place in the annual meeting between the employee and management and is documented in writing on the objective agreement sheet. The performance appraisal is discussed by the management on the basis of the criteria agreed with the employee; background conditions are also discussed. The achievement or failure to achieve additional objectives added during the year is to be assessed and included in the determination of the individual variable remuneration, as are changes in the agreed objectives during the year.

When determining the amount of variable remuneration, not only the achievement of the objectives but also the performance of the employee associated with reaching the objectives, the behavior in relation to clients including their specific risk profile, colleagues and adherence to internal procedures is to be appraised. The variable remuneration derived from the achievement of objectives should take into account the employee's overall behavior in relation to performance, communications, co-operation and teamwork.


The basic principle is that consensus should exist between management and the employee about the extent to which objectives have been met.

The objectives are divided into a maximum of four target areas for ease of utilization. These target areas apply to all hierarchical levels, although with different weightings and priorities. The individual objectives resulting from objective areas must be weighed against each other when agreeing objectives.

Under no circumstances should objectives be agreed which can only be reached by inappropriate risk-taking.


An employee does not generally exercise any functions that have a material influence on the AIFM's risk profile within the meaning of the above CSFF guidelines.

#### **4.3.3 Application**

<b>ECE European Prime Shopping Centre Funds</b>	
<b>13. Remuneration</b>	
<b>13.1. Remuneration - Policy</b>	

The parties involved are prepared and supported in a suitable form, e.g. by internal or external training, information events and working materials, and by means of a partnership dialogue between the manager and employee.

To ensure proper and uniform application of the management by objectives technique, it is documented in a suitable form.

<b>ECE European Prime Shopping Centre Funds</b>	
<b>13. Remuneration</b>	
<b>13.1. Remuneration - Policy</b>	


**5. Remuneration Principles**

Any payment of remunerations and bonuses under any form whatsoever paid directly by the Company or, to the extent applicable, a Fund itself (including performance fees) and any transfer of units or shares of a Fund to Identified Staff, where and if applicable, should in all cases, except if such payment constitutes a reimbursement of expenses or a pro-rata return on investment within the meaning of the ESMA Guidelines, follow the principles set forth hereinafter:

- The appropriate balance of remuneration components may vary across staff members, depending on their functions, activities, seniority and their personal achievements.
- In case the proportionality principle cannot be invoked at the level of a member of the Identified Staff:
  - At least 50% of the variable remuneration shall consist of units or shares of the Fund concerned or equivalent interests or share-linked investments or non-cash Instruments. The Identified Staff will receive Instruments related mainly to the Funds in relation to which they perform their activities and the Company will make sure that this attribution does not lead to an excessive concentration of the holding of the relevant staff, which may encourage excessive risk taking. The Company will require its employees to retain such Instruments for at least 12 months;
  - At least 40%, of the variable remuneration component shall be deferred over a period of 3 years so as to reward the staff for the sustainability of the performance in the long term and remain in a position to adjust the remuneration to ex-post risks.

Before paying out the deferred part of the remuneration, a reassessment of the performance and, if necessary, a risk adjustment will be performed by the Human Resources based on the risk management conducting officer’s advice in order to align variable remuneration to risks and errors in the performance and risk assessments that have appeared since the staff members were awarded their variable remuneration component.

The variable remuneration, including the deferred portion (if any), will only be paid if it is sustainable according to the financial situation of the Company as a whole, and justified according to the performance of the business unit, the Funds/DPM and the individual concerned. As a result, the variable part of the remuneration shall never be guaranteed, and the Company reserves the

<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

right to not pay it (or to reduce it) if it is not sustainable.

The Company may nevertheless, on exceptional basis, decide to guarantee the payment of an exceptional variable remuneration (for the first year of employment) in the context of hiring a highly qualified new staff. In such a case, the Company will set the terms and conditions of such exceptional bonus taking into consideration the financial soundness of the Company and the Funds/DPM managed by it. Any such arrangement will be subject to the prior approval of the shareholders of the Company, upon recommendation of the Human Resources.


Once a variable remuneration component has been awarded to Identified Staff, and an upfront part has already been paid, the Company will be entitled to adjust such variable remuneration taking into account the outcomes of Identified Staff's actions (the "Adjustment"). The Adjustment shall always be related to the performance of Identified Staff, based on an analysis of the initial and ex-post performance measurement. The variables used to assess Identified Staff's performance will measure outcomes as close as possible to the level of the decisions made by Identified Staff member that is subject to the Adjustment.

The Adjustment, e.g. by lowering cash remuneration or by awarding a lower number of units or shares of the Funds/DPM managed by the Company, may take the following forms:

- Malus clauses, enabling the Company to prevent the vesting of all or part of the deferred remuneration award (being either the cash portion or the Instruments portion thereof). The effect of maluses shall not be inflated by paying out artificially high interest (above market rates) on the cash deferred parts to the Identified Staff member. Maluses operate by affecting the vesting point and cannot operate after the end of the deferral period; and
- Clawback clauses, pursuant to which Identified Staff agrees to return ownership of an amount of remuneration to the Company under certain circumstances, including risk outcomes. A clawback should typically operate in the case of established fraud or misleading information, and, where applicable, in case of remuneration received in breach of the legal and regulatory framework.

The Company will utilize specific criteria whereby malus and clawbacks would apply, including:

- Evidence of misbehaviour or serious error by the Identified Staff (e.g. breach of code of conduct, and other internal rules, especially concerning risks);
- Whether the Funds/DPM managed by the Company and/or the Company and/or the business

<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

- unit subsequently suffers a significant downturn in its financial performance (specific indicators should be used);
- Whether the Funds/DPM managed by the Company and/or the Company and/or the business unit in which the Identified Staff works suffers a significant failure of risk management; and
- Significant changes in the Company's overall financial situation.

The Adjustment shall in particular be subject to the following principles:


- As regards the Instruments portion of the variable remuneration, the evolution of the (net asset) value of the Funds/DPM or, for listed Funds, the evolution of the share price will not be considered sufficient as a form of Adjustment;
- A retention period (defined as a period during which Instruments vested to Identified Staff as part of its remuneration may not be sold) on its own can never be sufficient to design an Adjustment for Instruments and may not be a substitute for a longer deferral period;
- The explicit Adjustment (both for cash and Instruments) may not lead to an increase of the deferred part; and
- The Company will not compensate the Adjustment made on a year by awarding, paying out or vesting on the following year(s) a greater amount of variable remuneration than it otherwise would have done, unless it becomes obvious in subsequent years that the Company's financial results justify such actions.

All payments related to the early termination of a contract will reflect performance achieved over time and will not be designed in a way that rewards failure.

"Golden parachute" arrangements for Identified Staff who are leaving the Company and which generate large pay-outs without any performance and risk adjustment are inconsistent with the principle set forth in Appendix II of the AIFM Law and in the ESMA Guidelines. Any such payments will, the case being, be related to performance achieved over time and designed in a way that does not reward failure. This should not preclude termination payments in situations such as early termination of the contract due to changes in the strategy of the Company or of the Funds/DPM it manages, or in merger and/or takeover situations.

Risk mitigating features and risk alignment of variable remuneration

- The variable remuneration will be both performance-based and risk adjusted, as per the principles outlined in this paragraph;
- Staff engaged in control functions are compensated in accordance with the achievement of

<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

- the objectives linked to their functions, independently of the performances of the business areas that they control;
- Where remuneration is performance-related, the total amount of remuneration is based on a combination of (i) the assessment as to the performance of the individual and of the business unit or Funds/DPM concerned and as to their risks and of (ii) the overall results of the Company

when assessing individual performance, taking into account financial and non-financial criteria; and

- Fixed and variable components of total remuneration are appropriately balanced, and the fixed remuneration component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable components, including the possibility to pay no variable remuneration component;

All Identified Staff will be required to undertake not to use personal hedging strategies or remuneration and liability related insurance to determine the risk alignment effects embedded in their remuneration arrangements. In accordance with the ESMA Guidelines, insurances designed to cover personal payments such as healthcare and mortgage instalments should in principle be allowed. In order to avoid any circumvention of the remuneration principles set forth herein, any insurance of such a kind shall be notified to the Human Resources, who shall, on a case-by-case basis, make sure that the latter is in line with the requirements set forth in the AIFM Law, the case being, take appropriate measures to regularise the situation.


#### Recording of the determination of the overall variable remuneration

The Company will document the award process and ensure that records of the determination of the overall variable remuneration pool are maintained.

### **6. Review and Implementation of the Policy**

The Board adopts and reviews annually or whenever there is a regulatory change the general principles of the remuneration policy of ECE and is responsible for its implementation.

In the elaboration of the Remuneration Policy, the Board shall take into account all elements regarding the strategy of the financial undertaking as well as the strategy regarding risk taking, the nature, scale and complexity of the undertaking's activities. Within the scope of its supervisory mission, the Board shall make sure, on a regular basis, that the financial undertaking has

<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

appropriate policies and procedures in place.

The internal control functions will assist the shareholders, the Human Resources, the Board and the Senior Management in determining the overall remuneration strategy of the Company having regard to the promotion of effective risk management.

Without prejudice to the overall responsibility of the Board, the implementation of this Policy will be subject to the annual review of the compliance officer under the supervision of the Senior Management.


In the design and oversight of the Company's remuneration policies, the compliance officer will take into account the inputs provided by all competent corporate functions (i.e. risk management, internal auditor, human resources, legal officer, strategic planning, etc.).

At the occasion of his/her review, the compliance officer will ensure that:

- the Policy is consistent with and promotes sound and effective risk management and:
  - Is in line with the business strategy, objectives, values and interests of the Company;
  - Does not encourage excessive risk taking as compared to the investment policy of the Funds/DPM managed by the Company; and
  - Enables the Company to align the interests of the Funds/DPM and the Investors with those of the identified staff that manages such Funds/DPM, and to achieve and maintain a sound financial situation.
- The Company's overall corporate governance principles and structures, as well as their interactions with the remuneration system are considered within the design and implementation of the Company's remuneration policies and practices;
- The following elements are taken into account: the clear distinction between operating and control functions, the skills and independence requirements of members of the management body, the role performed by internal committees, including the Human Resources, the safe-guards for preventing conflicts of interests and the internal reporting system and the related parties' transactions rules; and
- The delegates comply with principle of this Policy.

The compliance officer will report on the outcome of his/her review to the Senior Management and to the Board.

Based on this report, on the gap analysis the case being provided therein and on the feedback of the Senior Management, the Board will determine whether it shall further investigate or whether the gap analysis and recommendations of the compliance officer are sufficient to enable it to take adequate measures and to adapt (the case being) this Policy.

<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

If the Board, the Human Resources or the shareholders, as the case may be, come to the conclusion that a remuneration has been paid in breach of this Policy, it/they will be entitled to request the reimbursement of the variable component of the remuneration paid in breach of this Policy or to take any other corrective measure it/they may deem appropriate depending on the context.

In addition to the aforementioned annual review, the compliance officer will examine all new remuneration arrangements to be entered into between the Company and any material risk taker so as to make sure that the relevant agreement is in line with this Policy.

**7. Measure in case of delegation of portfolio management or risk management activities**

When delegating investment management functions (including risk management) according to Article 18 of the AIFM Law and Article 36-2 of the 1993 Law, the compliance officer will ensure that:

- The entities to which investment management activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under this Policy; or
- Appropriate contractual arrangements are put in place with entities to which portfolio management or risk management activities have been delegated in order to ensure that there is no circumvention of the remuneration rules set out in the ESMA Guidelines.

Additionally, the Company will encourage these entities to integrate sustainability risk related factors into their remuneration policy.

The compliance officer will escalate any question to the Senior Management and to the Board. The réviseur d'entreprises (statutory auditor) shall make a report to the Board about any material deficiencies uncovered during the assessment of the implementation of the remuneration policy.


**8. Disclosure**

Internal disclosure

The Policy will be accessible to all staff members, which will know in advance the criteria that will be used to determine their remuneration. Confidential quantitative aspects of the remuneration of staff members will remain confidential and will thus not be internally disclosed.

The information provided to staff members will contain the following elements:



<b>ECE European Prime Shopping Centre Funds</b>		
<b>13. Remuneration</b>		
<b>13.1. Remuneration - Policy</b>		

- Information on linkage between pay and performance;
- Information on the criteria used for performance measurement and the risk adjustment; and
- Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based.

#### External disclosure

The information provided externally - available on the Company's website - will contain the following elements:


- Information on the decision-making process used to determine the Policy for the individuals to which it applies;
- Information on linkage between pay and performance;
- Information on how the Company takes into account current and future risks to which it is exposed when implementing remuneration methodologies and what these risks are, including the criteria used for performance measurement and the risk adjustment, and the ways in which it seeks to adjust remuneration to take account of longer-term performance; and
- Information on the quantitative and qualitative performance criteria on which the entitlement to variable components of remuneration is based.

#### **Appendix 1: Identified Staff**

The Identified Staff of the **AIFM** is as follows:

- Board members\*;
- Senior Management members\*\*;
- Compliance officer;
- Internal auditor;
- Risk manager;
- Finance manager;
- HR Manager \*\*;
- Legal Manager;
- Portfolio Managers;
- 
- Accountants

\* Some Board members do not receive any remuneration for this function and are therefore out of the scope of the Policy.

<b>ECE European Prime Shopping Centre Funds</b>	
<b>13. Remuneration</b>	
<b>13.1. Remuneration - Policy</b>	

\*\* relevant persons who do not receive any remuneration from the AIFM are out of scope of the Policy