

KLÉPIERRE

**INTERNAL PROCEDURE
APPLICABLE TO
AGREEMENTS RELATING TO
DAY-TO-DAY OPERATIONS
AND CONCLUDED ON
NORMAL TERMS**



KLÉPIERRE

SHOP. MEET. CONNECT.®

REMINDER OF RELATED-PARTY AGREEMENTS AND UNREGULATED AGREEMENTS

According to Article L. 225-86 of the Commercial Code, any agreement concluded in the following circumstances shall, in principle, be a “**related-party agreement**”:

“Any agreement entered into, either directly or through an intermediary, between the company and a member of the Executive Board or of the Supervisory Board, one of its shareholders holding a fraction of the voting rights greater than 10%, or, in the case of a corporate shareholder, the company controlling it within the meaning of Article L. 233-3, must be subject to the prior consent of the Supervisory Board.

The same applies to agreements in which any of the persons referred to in the previous paragraph is indirectly interested.

Agreements entered into between the company and another firm are also subject to the prior consent if a member of the company’s Executive Board or Supervisory Board is the owner, a partner with unlimited liability, a manager, a director or a member of that firm’s Supervisory Board, or, more generally, is in any way involved in its management.

The Supervisory Board shall give reasons for its advance authorization demonstrating the company’s interest in the agreement, in particular specifying the financial conditions attached thereto.”

Thus, a related-party agreement must be authorized in advance by the Supervisory Board and will then be subject to approval by a vote of the General Meeting.

However, the first paragraph of Article L. 225-87 of the Commercial Code provides that if the agreement satisfies the criteria contained in Article L. 225-86 of the Commercial Code but relates to day-to-day operations and is concluded on normal terms, that agreement will no longer be a related-party agreement and will become “**unregulated**” and not subject to any obligation to obtain advance authorization by the Supervisory Board and approval by the General Meeting.

For the record, agreements relating to corporate officers’ compensation are a special case and there is also a 3rd category of so-called “**prohibited**” agreements (Articles L. 225-43 paragraph 1 and L. 225-91 paragraph 1 of the Commercial Code).

The Klépierre Group has put an internal charter in place to check whether a given agreement falls into one or other of the categories referred to above. This charter, entitled “Internal charter relating to the classification of an agreement” is available on the website www.klépierre.com.

THE INTRODUCTION OF A NEW PROCEDURE

The so-called Pacte Law of May 22, 2019 added a second paragraph to Article L. 225-87 of the Commercial Code, providing for a system of control of so-called “unregulated” agreements to check whether the criteria used to apply that classification are still applicable. The wording of that paragraph is as follows:

*“In companies whose shares are admitted to trading on a regulated market, the Supervisory Board shall put a **procedure** in place to regularly assess whether agreements relating to day-to-day operations and concluded on normal terms do indeed satisfy these conditions. Persons directly or indirectly interested in any of these agreements shall not take part in their assessment”.*

This procedure (the “**Procedure**”) was drawn up in accordance with this second paragraph. Thus, when an agreement has previously been classified as in the category of so-called unrestricted agreements, it will automatically be subject to this Procedure.

The Procedure applies to any agreement previously regarded as unregulated and concluded with Klépierre SA (an “**Unregulated Agreement**”).

The Procedure was submitted to Klépierre SA’s Statutory Auditors and then reviewed by the Audit Committee, before being approved by the Supervisory Board at its meeting on February 4, 2020. It is available on the website www.klepierre.com.

It is expressly specified that persons directly or indirectly interested in any Unregulated Agreement may not take part in its assessment in the context of this Procedure (e.g. when any expert is used, when the review by the Executive Board takes place and when the decision on any Agreement is made by the Supervisory Board).

INVENTORY OF THE UNREGULATED AGREEMENTS

Within a 6-month period following the adoption of this Procedure by the Supervisory Board, the Executive Board shall make an inventory of all existing Unregulated Agreements and shall list them. The Executive Board may ask the opinion of the Statutory Auditors on such list when it is deemed appropriate.

REGULAR ASSESSMENT OF THE UNREGULATED AGREEMENTS

In order to carry out a regular assessment of the Unregulated Agreements, the Executive Board¹ shall at least meet once a year, for instance before the Supervisory Board examines:

- Klépierre SA's annual accounts relating to the previous financial year; and/or
- Klépierre SA's half-yearly accounts relating to the current financial year.

During its meeting, the Executive Board shall carry out the tasks detailed below:

Task 1: Inventory of the new Unregulated Agreements

Based on the works performed by the Deputy Group Financial Officer and by the Group General Counsel, the Executive Board shall identify all new Unregulated Agreements compared to the agreements previously listed and shall therefore complete the list accordingly.

Task 2: Review and examination of Unregulated Agreements

The Executive Board shall verify that all of the listed Unregulated Agreements still relates to a day-to-day operation and that their terms are still normal.

Thus, for each Unregulated Agreement, the Committee shall specifically assess, on a case-by-case basis:

- **The day-to-day nature of the operation.** Several criteria shall be examined to determine the day-to-day nature of an operation, in particular the normal nature of the operation in view of the business performed by the company, its legal importance or its economic consequences. In practice, if the operation concerned becomes one-off, or substantial in terms of its internal consequences, or proves to involve exceptional economic stakes, it should not be classified as a day-to-day operation.
- **The normal terms of the operation.** Terms that are usually employed by the company with third parties can be regarded as normal provided that they also remain in line with the practices of outside companies engaged in the same business. By way of example, terms could be regarded as becoming abnormal if the economic data of the agreement reviewed differ too much from those of agreements usually entered into with third parties.

Task 3: Classification of the Unregulated Agreements reviewed and recommendations to the Audit Committee

When its examination is concluded, the Executive Board shall recommend:

- Either to retain the Unregulated Agreement's original classification because the criteria on which its classification was based are regarded as still current; or
- Otherwise, to reclassify the Unregulated Agreement as a "related party" agreement.

The Executive Board shall then make its recommendations known to the Audit Committee in a written report.

¹ In the event that the Executive Board may not carry out the assessment of an agreement, such agreement will be assessed by the Deputy Chief Financial Officer and/or the Group General Counsel.

Potential reclassification of an Unregulated Agreement by the Audit Committee and consequences:

The Audit Committee shall decide whether or not it is convenient to reclassify each Unregulated Agreements submitted to it by the Executive Board. In this context, it may ask the opinion of the Statutory Auditors. It may also decide to involve any experts or, more generally, ask any further information it deems useful.

- *In the event that the original classification of an Unregulated Agreement is retained, the Procedure will come to an end.*
- *Otherwise, the Audit Committee shall issue a recommendation to the Supervisory Board concerning the approval or the rejection of such Agreement. In addition, the Agreement will be passed on to the Statutory Auditors who may prepare a special report explaining the circumstances which resulted in the advance authorization procedure provided for by Article L. 225-86 of the Commercial Code not having been followed. If the Supervisory Board approves the Agreement, the next General Meeting of Klépierre SA will then be asked to ratify it.*